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Industrial Development Board

enty-sixth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 November 2002, at 10 a.m.

President: Mr. HORVATH (Hungary)

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The meeting was called to order at 10.20 a.m.

OPENING OF THE SESSION

1. **The PRESIDENT**, declaring open the twenty-sixth session of the Industrial Development Board, said that since the ninth session of the General Conference the Organization had already implemented the most crucial elements of its reforms, including the recently completed restructuring of the Secretariat. In that context, he welcomed the new Managing Directors and wished them every success in their endeavours. UNIDO was working on the implementation of the 1997 Business Plan on the Role and Functions of UNIDO and the medium-term programme framework, 2002-2005. The presence of several ministers and high-ranking officials at the session indicated the growing recognition of UNIDO as an important global player for effective poverty alleviation, technological development and enhanced environment protection for the benefit of all Member States, whether recipients or donors. The Board was faced with a full and complex agenda, including such significant items as the proposed UNIDO strategy paper (IDB.26/15). He was confident that, working in a spirit of cooperation, mutual respect and compromise in the limited time available, the Board would take decisions regarding its agenda that would further increase UNIDO's reputation.

ORGANIZATION OF WORK

2. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

3. *It was so decided.*

ADOPTION OF THE AGENDA (IDB.26/1 and Add.1; IDB.26/CRP.1)

4. *The provisional agenda (IDB.26/1) was adopted.*

STATEMENTS BY THE DIRECTOR-GENERAL AND MANAGING DIRECTORS

5. **Mr. MAGARIÑOS** (Director-General) welcomed participants to the session, and particularly welcomed the Ministers from Cameroon, Colombia, Côte d'Ivoire, Egypt, Mozambique, Senegal, Sierra Leone and Slovakia. The Board would greatly benefit from their active participation in its deliberations. He also wished to introduce the three Managing Directors: Mrs. Haruko Hirose of Japan, Managing Director of the Programme Coordination and Field Operations Division and Deputy to the Director-General; Mr. Abel John Julian Rwendeire of Uganda, Managing Director of the Programme Development and Technical Cooperation Division; and Mr. Renato Fornocaldo of Italy, Managing Director of the Division of Administration.

6. As the Programme and Budget Committee had met quite recently, and in order to make the best possible use of the limited time available, he would confine his remarks to: first, reporting on recent developments and action taken to implement decisions of the recent session of the Programme and Budget Committee and the Board's twenty-fifth session; second, providing a brief update on the financial situation; and third, discussing the way forward. With regard to the last-mentioned topic, he had requested Mrs. Hirose and Mr. Rwendeire to present to the Board the initial results of a round of talks held in October 2002 with the directors of the UNIDO technical divisions and regional bureaux. Subsequently, at the second meeting of the session, Mr. Fornocaldo and the Directors of the UNIDO Offices in New York and Geneva would brief the Board on developments within their respective units.

7. The Programme and Budget Committee session had permitted fruitful and constructive discussions between Member States and the Secretariat. A source of particular satisfaction had been the assessment by the outgoing External Auditor that the Organization had achieved relevance, financial stability, improved technical cooperation delivery and quality of service through more focused activities. That verdict provided independent confirmation of the achievements of UNIDO's transformation process, initiated by him in December 1997. Those achievements had been made possible by the commitment and hard work of Member States, management and the Organization's staff. Delegations to the Programme and Budget Committee had expressed similar views.

8. As a follow-up to Programme and Budget Committee conclusion 2002/2 on strengthening the internal oversight function of the Organization (IDB.26/13, para. 12), Director-General's Bulletin UNIDO/DGB(M).91 had been issued on 14 November 2002. The necessary action to strengthen internal oversight functions had been initiated. An "Office of the Comptroller General" would be established to ensure proactively that the internal control mechanisms worked efficiently and effectively, and to improve the Organization's performance and accountability, including the specific tasks foreseen in the Programme and Budget Committee conclusion. The Office would

perform the functions of internal oversight, financial control, programme policy monitoring, evaluation and legal advice. As with the recruitment exercise for Managing Directors, the position of Comptroller General would be filled on an open competitive basis; the process should be completed by March 2003, when the Office of the Comptroller General would be formally established.

9. In the interests of sound management, clear managerial responsibilities and streamlining of the Organization, the alignment of senior-level staff with programmatic requirements would be implemented during the coming months. He was aware that the current high number of D-2/L-7 staff was not financially sustainable. A number of steps had been initiated to address that situation, including separation through natural attrition, reassignment to field offices and reappointments. As a result, any further extensions of appointments of staff at the D-2/L-7 levels, other than the Managing Directors, would not be warranted.

10. One of the major tasks facing the Organization was to enhance its global outreach, ensuring that it made a stronger impact and achieved greater visibility in Member States. The Director-General's Bulletin dated 14 November 2002 also provided information on action being taken to further strengthen the Programme Coordination and Field Administration Division, by giving the regional bureaux greater responsibilities relating to programme and project coordination, implementation and monitoring, as well as the authority to allocate resources to the field offices, with due account taken of international development priorities.

11. At the Board's twenty-fifth session he had been requested to begin consultations with non-Member States, with a view to encouraging them to join or rejoin UNIDO. In accordance with the Board's advice, those efforts had been undertaken in close coordination with Member States. Efforts made in that regard were detailed in documents IDB.26/14 and IDB.26/CRP.6. He now suggested that an informal consultative group of representatives from Member States should be set up to review the situation, and to assist the Secretariat in its efforts to persuade non-Member States to join or rejoin the Organization, as well as to effect the collection of arrears.

12. A further important topic on the agenda was UNIDO's thematic initiatives. UNIDO's specialized experience had been grouped into eight service modules, which formed the basic building blocks of the Organization's technical cooperation activities. All activities were carried out within those service modules, under the following mechanisms: integrated programmes, generally for the least developed countries, and country service frameworks, for developing countries; and stand-alone projects, consisting mainly of Montreal Protocol and persistent organic pollutants (POPs) projects financed by the Global Environment Facility (GEF). It was proposed to further address specific issues by launching initiatives based on the service modules and on the Organization's comparative strengths and advantages but involving specific combinations of the service modules to address those problems in a targeted manner. Two such initiatives had already been launched: the Trade Facilitation and Market Access Initiative, launched at the International Conference on Financing for Development held at Monterrey, Mexico, in March 2002; and the Rural Energy Initiative, launched at the World Summit on Sustainable Development, held at Johannesburg in August and September 2002. Those initiatives addressed problems that were high on the international development agenda: namely, promoting market access for the developing countries and the development of sustainable and renewable energy resources for poverty alleviation. Both initiatives were at the forefront of UNIDO's efforts to further refine its interventions, and had attracted the interest of sister agencies of the United Nations system. An informal consultative group of interested representatives from Member States would be set up in due course, to advise on implementation of the Trade Facilitation and Market Access Initiative. The two initiatives would, however, in no way affect the implementation of the integrated programmes or country service frameworks. Indeed, in countries where those arrangements were in operation, activities under the Initiatives were expected to be undertaken within their overall ambit.

13. As to the financial situation of UNIDO, a detailed report on that subject (document IDB.26/5) had been discussed in detail in the Programme and Budget Committee. He was pleased to report that the Organization continued to be on a sound financial footing, enabling the Secretariat smoothly to implement the approved programme and budgets. As confirmed by the External Auditor, the Organization had achieved financial stability, thanks to prudent management of its financial resources. Its cash situation continued to be strong: UNIDO had cash resources amounting to some 31 million euros, including the Working Capital Fund, with which to implement the approved programme and budgets for 2002. Expenditure and delivery of technical cooperation activities had reached about US$ 80 million. It was thus expected that the Organization would come close to its delivery target of about US$ 90 million for 2002, on the basis of which the programme and budgets had been prepared.

14. Regarding payment plans, Ukraine had, as stipulated in the payment plan approved by the General Conference, recently paid a second instalment of

one million euros. Payment plans for Lithuania and Azerbaijan were at varying stages of negotiation. Brazil, which owed a substantial amount in outstanding assessed contributions, had recently expressed renewed interest in settling its arrears through a payment plan. He urged other Member States to take advantage of the payment plans to settle their arrears.

15. An important subject to be discussed at the current session of the Board was the UNIDO strategy paper proposed by the Government of Japan (IDB.26/15). He welcomed that initiative, and wished to thank the Government of Japan for taking such a keen interest in the programmatic aspects of the Organization's activities and involving all Member States in discussions of UNIDO's operations and normative work, resulting in a consensus on several complex issues. A draft decision formulated by Japan had been circulated to delegations for their consideration, and he was confident that it would be adopted by the Board.

16. At the beginning of his second term of office he had faced a difficult choice: either to leave things much as they were pending developments in the process of reform of the United Nations system; or—the choice actually taken—to align UNIDO with the direction he suspected that the United Nations Secretary-General, the international community and his colleagues in the United Nations system would decide to take.

17. In a conference room paper (IDB.26/CRP.5), he had drawn attention to proposals by the United Nations Secretary-General for reform of the United Nations system. Those proposals related to United Nations system representation at the field level, ways and means of strengthening the system of resident coordinators, the pooling of resources, joint programming and the roles and responsibilities of each of the agencies of the system in efforts to achieve the Millennium Development Goals. The Secretary-General had said that he would request donor countries to adjust their funding to those roles and responsibilities. Major UNIDO documents such as the Business Plan and the medium-term programme framework, as well as the proposed strategy paper submitted by Japan, referred to the role of the agency with regard to implementation of the Millennium Development Goals and the goals of the international development community.

18. He was pleased to note that the direction already decided on in March 2002 was fully in line with the conceptual focus of the proposals for reform of the system presented by the Secretary-General, UNIDO having aligned its efforts so as to concentrate its field representation in one division and further refine its technical operations by a process of cross-fertilization of technical knowledge. In its deliberations on the way forward for UNIDO and its consideration of the proposed strategy paper, the Board should take full account of those aspects of the Secretary-General's reform proposals. It was his strong belief that the efforts made over the past five years would fall short of their potential unless serious account was taken of the process of refining UNIDO's activities, technical interventions and representation at the field level. Accordingly, he would welcome an opportunity for the Managing Directors to present to the Board their plans and ideas concerning the way forward in their respective divisions.

19. **Mrs. HIROSE** (Managing Director, Programme Coordination and Field Operations Division) said that field operations played an important role in an integrated approach to programme implementation and fund-raising. The Programme Coordination and Field Operations Division had been created with a view to concentrating the management of field operations, implementing the decentralization process, improving coordination in the areas of field programme coordination and management, fund mobilization and global forum activities, and assisting field operations more efficiently.

20. The regional bureaux had been assigned a more proactive role in field office management and field programme coordination. There were 29 field offices, and they were playing an essential role despite limited resources. Measures envisaged to strengthen the position of the offices included: making the UNIDO representative responsible for the integrated programme (IP) or country service framework (CSF); building up resources and expertise in the field; improving access to Headquarters information; and increasing networking with other UNIDO offices.

21. The experience with IPs and CSFs was currently being reviewed, as had been suggested by some Member States. The Division would report on a number of related issues at the following session of the Board. Assessing the actual results was a complex process, which required the development of indicators and the use of different sets of indicators for each region.

22. Responding to a concern expressed about Africa's share in UNIDO's activities, she wished to point out that its share in expenditures for all IPs and CSFs to date came to 52 per cent. However, its share in total UNIDO technical cooperation expenditure for 2001 had been only 19 per cent. The difference was due to stand-alone projects, where the special-purpose funding was normally beyond UNIDO's control; that demonstrated the importance of coordination and monitoring.

23. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) said that the Millennium Development Goals posed global challenges and that sustainability could not be achieved without large structural changes in society and industry. UNIDO was a member of the Millennium Project, task forces on poverty, technology policy and environmental sustainability. It was also a member of the Expert Group established to support and oversee the task forces. The outputs of the Millennium Project were to include: consolidation of task force reports; submission of an interim report to the Secretary-General; review of the report by mid-2004; and presentation of the final report to the General Assembly by 30 June 2005. UNIDO was also a member of the United Nations Development Group (UNDG).

24. Through its service module approach, UNIDO assisted countries with institutional capacity-building, industrial policies, etc. UNIDO's thematic initiatives were intended to optimize programme delivery and respond to challenges posed by the global development agenda. The Programme Development and Technical Cooperation Division offered technical cooperation in such areas as cleaner production, industrial promotion, technology transfer and the like.

25. In the future, UNIDO would have to consolidate its reforms by promoting integration and synergies and enriching in-house human resources with field experience, and to ensure higher professionalism for technical cooperation by redefining technical interventions and realigning staff profiles.

26. With regard to the global energy problem, he noted that poverty was linked to lack of access to electricity. The majority of poor people in developing countries lived in rural areas, and energy was a vital issue. UNIDO had been looking at the degradation of the environment, damage to health and reduction in agricultural productivity as a result of the use of biomass fuel. It helped to build capacity in order to increase local participation in projects and facilitated technology transfer and the productive use of energy. He wished to highlight mini-hydro projects, in which part of the machinery was manufactured and assembled in the country itself, generating the power used for meaningful productivity.

27. Regarding market access, he pointed out that developed countries offered developing countries opportunities for better accessing their markets, in particular with initiatives for LDCs; however, the developing countries often lacked sufficient productive capacities to compete effectively in global markets, and they lacked standards and conformity infrastructures to prove that their products conformed to market requirements. In the light of that, UNIDO's Market Access Initiative, which was based on the "3 Cs" of Competitiveness, Conformity and Connectivity, directly addressed market access issues of developing countries. For example, UNIDO had assisted fish industries in developing countries to upgrade their production in order to meet market requirements.

STATEMENT BY THE MINISTER OF INDUSTRY AND TECHNOLOGICAL DEVELOPMENT OF EGYPT

28. **Mr. EL-SAIEDI** (Minister of Industry and Technological Development of Egypt) said that UNIDO had already made great progress along the path of reform and would be able in the future to respond more effectively to the needs of Member States and to the political and economic changes taking place in the world. He hoped that the Organization would continue its efforts in that regard while remaining open to new ideas for adjusting the frameworks for its activities. In particular, in the current climate of increasingly close cooperation between the peoples and States of the world, the Organization should maximize its operational and practical role in helping developing countries to achieve sustainable industrial development.

29. Some developing countries were legitimately concerned that their capabilities were not taken sufficiently into account when new mechanisms for sustainable industrial development were implemented. UNIDO constituted an important international forum in which such concerns could be aired, and it was to be hoped that developed countries would acknowledge those concerns and provide the necessary support. One of the most important aspects of the Organization's work was the provision of technical cooperation to developing countries to enable them to fight marginalization and poverty.

30. Egypt had adopted a comprehensive development strategy, the cornerstone of which was the National Industrial Modernization Programme, designed to increase rates of production and improve living standards. The implementation of that programme, which was regarded as a high priority by all the organs of the Egyptian Government, required close cooperation with UNIDO, which had a wealth of experience and capabilities in that field. The Government was therefore keen to implement the technical cooperation framework which it had agreed on with the Organization.

31. The Organization needed adequate financial resources in order to achieve its objectives, and his Government called on all parties to fulfil their commitments to UNIDO. The low rate of voluntary contributions and the small proportion of the regular budget allocated to technical cooperation activities

were matters of concern for developing countries. Moreover, the operational budget was inadequate to cover the full range of UNIDO activities, and additional resources were therefore needed. He called on Member States to give serious attention to the review of the rules on the financing of technical cooperation activities.

32. Referring to the annual report of the Director-General on the activities of the Organization in 2001 (IDB.25/2 and Add.1) and the report of the External Auditor, financial performance report and programme performance report for the biennium 2000-2001 (IDB.26/2), he said that the concept of integrated technical cooperation still represented a solid basis for sustainable industrial development, as long as the necessary resources were provided. He therefore called on all Member States to increase their contributions to the operational budget and requested the Secretariat to allocate a greater proportion of its resources to technical cooperation activities, rather than administration. Lastly, his Government fully supported the Organization's activities in the field and those related to environmental protection.

STATEMENT BY THE MINISTER OF ENVIRONMENT OF SLOVAKIA

33. **Mr. MIKLOS** (Minister of Environment of Slovakia) welcomed the substantial progress that had been achieved in reforming UNIDO and noted that the Organization was now regaining the confidence of its Member States. The participation of UNIDO in the World Summit on Sustainable Development had enhanced its profile and strengthened its mandate for promoting sustainable development, including such important areas as environmental accountability. At the Summit, his Government had advocated proposals to streamline the preparation and implementation phases of sustainable development initiatives.

34. Board decision IDB.25/Dec.3 on "Strengthening the regional dimension in the activities of UNIDO" had confirmed the importance of regional programmes. One regional initiative was the International Forum on Strategies and Priorities for Environmental Industries, held at Bratislava in June 2002, which had brought together representatives of ministries of the environment and of the economy from the countries in the region to discuss the environmental and economic aspects of cleaner and sustainable industrial development. The Forum had focused on three aspects of "partnership" between industry and the environment: the need for cleaner production and environmental management and audit systems; the need to change production and consumption patterns, in particular by making products that were more environmentally friendly; and the need to develop end-of-pipe technology for the purposes of recycling and cleaning.

35. The Forum had also discussed the issues of persistent organic pollutants and the remediation of polluted sites, and had been followed up with a workshop on the application of remediation technology to heavily polluted sites in the region. Efforts to establish a fund for the disposal of obsolete stockpiles of persistent organic pollutants in Central and Eastern Europe had also been endorsed. It had been agreed that the National Cleaner Production Centres (NCPCs) in the Czech Republic, Hungary, Slovakia and Croatia would work together more closely with a view to extending the NCPC network to other countries in the region. A second Forum was to be held in Slovakia in 2004, where one of the most important topics discussed would be cooperation between countries which needed to dispose of obsolete stocks of pesticides and chemicals. In addition, the Government of Slovakia and UNIDO were jointly backing the establishment of a focal point, supported by the International Centre for Science and High Technology and UNIDO, for Central and Eastern European countries.

36. Lastly, his Government welcomed the proposed UNIDO strategy paper submitted by Japan (IDB.26/15), which would enable the Organization to implement more effectively its technical cooperation activities in developing countries and countries with economies in transition.

STATEMENT BY THE MINISTER OF ECONOMIC INFRASTRUCTURE OF CÔTE D'IVOIRE

37. **Mr. ACHI** (Minister of Economic Infrastructure of Côte d'Ivoire) said that his country was currently experiencing a crisis that was unprecedented in its history: a band of armed terrorists had been occupying part of the country since September 2002. In the period between the departure of the military from power in 2000 and the eruption of the current crisis, the elected civilian Government had achieved notable success in its efforts to revive the economy, and the country had been hoping to benefit from the Heavily Indebted Poor Countries (HIPC) initiative in 2003. On the political front, a broad coalition Government incorporating the five main political parties had been formed to consolidate the country's economic recovery and prepare for the elections which had been scheduled for 2005. Those achievements were now threatened by the current crisis in the country.

38. His Government, under the auspices of the Economic Community of West African States (ECOWAS), had decided to resolve the crisis through negotiation, since the country could ill afford a fresh war. A peaceful resolution required the involvement of

all countries, particularly developing countries and African States. It was unacceptable for an unrepresentative minority to challenge a legitimate Government and the constitutional order by force of arms: such actions undermined the fundamental principles of democracy, good governance and respect for human rights, and the peace and security which were vital for stability and development. Yet the Government had to resist the temptation to return to a build-up of arms, which would divert funds from other areas where they were desperately needed, such as basic infrastructure, health and education, and also industrialization, which was the only viable means of tackling unemployment. Such a build-up of arms would also represent a retrograde step in the light of recent achievements such as the establishment of the African Union and the New Partnership for African Development (NEPAD). It was to be hoped that the negotiations currently taking place in Lomé would lead to the restoration of peace in his country.

39. The Government intended to make industry the focus of its efforts to achieve growth, modernize the economy, create jobs and promote the sustainable and equitable development that was needed to combat poverty. In 2001, a committee for consultation between the State and the private sector had been established, a law on the Court of Arbitration had been drafted, funds had been mobilized to implement the UNIDO integrated programme for industrial development and a national quality plan had been drawn up. Economic progress required a culture of enterprise, bold investors and a healthy legal and institutional environment. It had therefore been decided that a new partnership would be forged in 2002 and 2003 between the Government and the private sector, and that the Government would institute the reforms necessary to promote enterprise, investment and economic competitiveness.

40. Côte d'Ivoire had already made significant progress in promoting the private sector: the telecommunications industry was entirely privatized, and some areas in the public sector were managed by private operators. Private financing had been provided for a number of large-scale construction projects, and the palm oil, cotton, cocoa and hevea sectors had also been privatized. His country thus had the most open, liberal economy in Africa and, in terms of its public services, was ahead of many other countries in the world.

41. Turning to the items on the Board's agenda, he said it was encouraging to learn from the documents submitted that the rate of collection of 2002 assessed contributions was the highest rate that had been achieved since the conversion of UNIDO into a specialized agency. That testified not only to the efforts of the Secretariat to improve the collection of assessed contributions, but also to the efforts of the Organization to regain the trust of Member States, especially through the financial and administrative reforms of the previous five years.

42. With regard to the medium-term programme framework, 2004-2007, the functions and priorities of UNIDO should be adapted to the new realities of the world economic environment, taking into account the particular characteristics of each region and country. Given that the needs for technical assistance and support for industrial development were ever greater and more urgent, UNIDO needed to work more closely with the recipient countries, and adequate human and financial resources needed to be provided for the Organization's decentralized entities.

43. The reforms undertaken had enabled UNIDO to be cited as an example in the process of reform and transformation of the United Nations system currently under way. The Organization should continue its efforts to improve its administrative procedures as a means of enabling it to attain its objectives. UNIDO would be judged on its ability to produce tangible and concrete results that had a positive impact on people's lives. The reforms could only achieve their aims if, among other measures, countries gave the Organization adequate human and financial resources for both the regular and operational budgets.

44. UNIDO urgently needed to develop a new strategy in order to strengthen its capacity to mobilize resources and implement all the programmes that had been adopted. New mechanisms for mobilizing funds had to be found and more partners enlisted for industrial development. He commended UNIDO for its new initiatives in that regard.

45. He wished the three new Managing Directors success and reiterated the commitment of the Government of Côte d'Ivoire to international industrial cooperation and to the future of UNIDO.

STATEMENT BY THE REPRESENTATIVE OF ALGERIA

46. **Ms. FEROUKHI** (Algeria) said that the twenty-sixth session of the Board coincided with the end of the Second Industrial Development Decade for Africa. Unfortunately, the special programme launched by the United Nations for the Decade remained a project. Countries had not lived up to their commitments with regard to the mobilization of the financial resources necessary for the implementation of the programme for the industrialization of Africa. The developing countries were seriously concerned at the continued decline in resources for development activities. The commitments of the industrialized countries regarding

official development assistance had not been honoured. However, it was encouraging that the members of the Board continued to give priority to industrial development and to support the central role of UNIDO in that area. She commended the delegation of Japan for having initiated a discussion on that topic on the basis of a strategy aimed at refocusing activities and improving the efficiency of the technical cooperation activities of UNIDO.

47. Continually adapting and improving working methods were normal activities for an organization but it was important to ensure that UNIDO remained a major forum for the discussion of vital issues relating to the industrial development of developing countries. That discussion should go hand in hand with a global reassessment of the financial situation with regard to the activities of the Organization. It must be hoped that refocusing technical cooperation activities would elicit increased interest and lead to a better equilibrium between the objectives included in the programme framework and the means made available for implementing the programme. It was also important that Member States should recognize their obligation to pay their regular contributions to the budget of the Organization in full and on time. She welcomed the recent improvement in the financial situation of the Organization, noting that the rate of collection of assessed contributions had reached a level unprecedented in recent years. However, the total of unpaid contributions remained a matter for concern, as did the high number of Member States that had had their right to vote suspended. She encouraged the Director-General to continue his efforts to limit the negative consequences of that situation, which was a sign of a lack of trust in the Organization.

48. Turning to the implementation of the medium-term programme framework, 2002-2005, she said that her delegation endorsed efforts to promote small and medium enterprise clusters and networks. Algeria also supported the launching of a technology foresight exercise for the countries of the Maghreb, wished to associate itself with that initiative and was ready to participate in due course.

49. Addressing the topic of cleaner and sustainable industrial development, she thanked the Director-General for having participated in an international conference held recently in Algiers for the launching of a national plan of action integrating the ecological dimension into socio-economic development. Algeria had established a national centre for clean production technology and a national institute for environmental training for the public and private sectors.

50. Regarding UNIDO's programme in the field of energy in rural areas, she said that, although Algeria possessed considerable petroleum reserves, the authorities were committed to the promotion of alternative energy sources in order to be able to supply remote areas and to take account of future long-term development needs.

51. Regarding South-South cooperation, which UNIDO supported through efforts to establish networks between the middle-income and the least developed countries, Algeria attached importance to such cooperation and was ready to offer its expertise in that framework.

52. Algeria was linked to UNIDO by a substantial programme of cooperation, to which the country was deeply committed, and wished to thank UNIDO for its support. Algeria also hoped for a substantial input from its partners in order to meet the objectives of sustainable industrial development.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.26/13)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (IDB.26/2, IDB.26/3 and IDB.26/5; IDB.25/2 and Add.1)

(b) FINANCIAL SITUATION OF UNIDO (IDB.26/9, IDB.26/16 and Add.1; IDB.26/CRP.2)

(c) FINANCIAL REGULATIONS (IDB.26/1/Add.1)

(d) MOBILIZATION OF FINANCIAL RESOURCES (IDB.26/6; IDB.25/2 and Add.1)

(e) TRANSITION TO A SINGLE CURRENCY SYSTEM (IDB.26/4)

53. **MR. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, said that they had participated with keen interest in the work of the eighteenth session of the Programme and Budget Committee and supported the conclusions and recommendations adopted as contained in document IDB.26/13. They welcomed the positive assessment made by the auditors that the general financial situation of UNIDO had improved considerably over recent years and that the Organization had achieved financial stability and improved technical cooperation delivery and quality of services through more focused activities during the previous four years. They welcomed the implementation of the new financial performance control system by UNIDO with the available human resources. They hoped that the transitional period

would proceed smoothly and that some of the shortcomings encountered in shifting from one system to the other, as pointed out by the auditors, would be remedied with full reconciliation of accounts.

54. They shared the view that organizational performance should be continuously achieved and that there was an urgent need to develop performance indicators to measure programme results, including the implementation outcomes of the medium-term programme framework.

55. With regard to the rules applied by the various members of the donor community on the use of project budgets, the Group of 77 and China recognized that such rules were in accordance with the regular organizational processes of the donors, but shared the view that the donor community should exhibit more flexibility in the use of project budgets and not impose procedures that might complicate the work of the Organization. They encouraged the Secretariat to explore further possibilities for harmonizing the donor community's rules with those of UNIDO.

56. The Group of 77 and China were mindful of the lack of funds for the full implementation of technical cooperation activities. It was a responsibility of all Member States, together with UNIDO, to mobilize adequate resources for the implementation of UNIDO's programmes. For UNIDO to discharge its mandate, it was absolutely essential to ensure that the extrabudgetary resources of the Organization were reliable and predictable. The Group of 77 and China therefore encouraged the Secretariat to continue its efforts to mobilize extrabudgetary funds for UNIDO's technical cooperation activities, particularly the implementation of the integrated programmes and country service frameworks. They also urged Member States and other donors to increase their voluntary contributions to UNIDO and to consider contributing programmable funds. They again called upon all Member States to pay their arrears and their assessed contributions in full and on time.

57. **Ms. POULSEN** (Denmark), speaking on behalf of the European Union and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Turkey, said that she fully supported the various draft decisions recommended by the Programme and Budget Committee (IDB.26/13). The European Union noted with satisfaction that UNIDO was now in a financially stable situation. It continued to encourage the Organization to develop its programmes within the context of a realistic assessment of the funds likely to be available, and it took note of the measures taken to improve the collection of all receivables, including from former members.

58. The European Union welcomed the Director-General's continuing efforts to enhance the organizational capacity of UNIDO, and in that respect had noticed his bulletin of 14 November 2002. It was pleased to note the Director-General's decision in response to calls by Member States to establish a comptroller general's office.

59. The last 10 years had seen considerable changes in the sources of funds for the technical cooperation programme. UNIDO was encouraged to carefully examine, together with the countries concerned, the full portfolio of UNIDO activities and to take a close look at integrated programmes and country service framework planning figures. The European Union took note of the recommendation of the External Auditor and looked forward to the Director-General's report to the Board at the twenty-seventh session on those issues. She was pleased to note that, thanks to the hard work of the Organization's staff, financial stability, technical cooperation delivery and quality of services through more focused activities continued to improve.

60. **Mr. FIGUEROA** (Observer for Argentina), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Group supported all the draft decisions submitted for adoption by the Board. In particular, GRULAC appealed for the adoption of the draft decision contained in Programme and Budget Committee conclusion 2002/3 on the financial situation of UNIDO, in order to help the Organization resolve the situation regarding the unencumbered balances of appropriations, income from new Member States and interest income referred to in General Conference decision GC.9/Dec.10 for the benefit of the integrated programmes.

61. Referring to conclusion 2002/5 concerning the mobilization of financial resources for UNIDO programmes, the Group stressed the contributions made by countries of the region to UNIDO's integrated programmes and stand-alone projects despite the severe economic crisis affecting the region, and urged the donor community and other sources of funds to increase their voluntary contributions to UNIDO for such activities and for those included in the medium-term programme framework, 2002-2005.

The meeting rose at 12.40 p.m.

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Industrial Development Board

Twenty-sixth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 November 2002, at 3 p.m.

President: Mr. HORVATH (Hungary)

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V.02-59957 (E)

The meeting was called to order at 3.20 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its previous practice and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. Yukio Takasu (Japan), in his capacity as Vice-President, should chair the consultation meetings. Draft decisions on items that had not yet been discussed in the plenary could be dealt with in the informal consultations, on the understanding that any item could, if necessary, be taken up again in the plenary.

2. *It was so decided.*

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES

(b) IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (IDB.26/7, IDB.26/7/Corr.1 and IDB.26/15)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (IDB.26/8 and IDB.26/15)

Note by Japan on the subject of improving UNIDO programme delivery (IDB.26/15)

3. **The PRESIDENT** invited the delegation of Japan to introduce the note contained in document IDB.26/15.

4. **Mr. TAKASU** (Japan) said that at the twenty-fifth session of the Board, while welcoming indications of UNIDO's stability resulting from its progress with financial and administrative reforms, Japan had stressed that management reform should be a continuous process aimed at improving the Organization's productivity. There had also been consensus that reform was only a step towards achieving the Organization's objectives, and that UNIDO's value might well be linked to its ability to achieve tangible results in its substantive programmes. He wished to reiterate that, while continuously encouraging management reforms, Japan would spare no effort to cooperate with a committed UNIDO in achieving tangible results in its substantive programmes and gaining better recognition among international development agencies. It believed, however, that within the scope of the 1997 Business Plan on the Role and Functions of UNIDO and the medium-term programme framework, 2002-2005, UNIDO needed to become a more sharply focused and effective organization producing concrete results in its substantive programmes. Additionally, the importance of clear guidelines and input from Member States in deliberations on the medium-term programme framework, 2004-2007, and the programme and budgets, 2004-2005, should not be underestimated.

5. Accordingly, Japan had initiated the formulation of a UNIDO strategy paper. Since then, intensive informal consultations had taken place. He could now report that a consensus had emerged from that process, which was set forth in document IDB.26/15. His delegation was grateful to all delegations that had participated in the consultations.

6. The document included two options under the subtitle. Japan would have preferred the wording "Strategic guidelines for the medium-term programme frameworks", but, in a spirit of flexibility and cooperation, could accept the wording "Strategic guidelines for the formulation and implementation of the medium-term programme frameworks 2002-2007".

7. The final document was the fruit of joint efforts by the Member States of UNIDO with the common objective of strengthening UNIDO's technical cooperation delivery. The exercise had prompted fuller discussions among Member States on programme priorities and substance. The support of the Director-General and his staff in the process had been invaluable.

8. Japan proposed a decision by the Board to adopt the strategic guidelines in document IDB.26/15 and to ask the Director-General to take them fully into account when implementing the current and future medium-term programme frameworks and budgets. He understood that there was still a reluctance in some quarters to adopt the proposed guidelines. His delegation strongly favoured their adoption, firstly because the document represented a consensus reached following six months' work by all interested Member States; secondly, the guidelines were complementary to the Business Plan already adopted by Member States' contributing to its effective and efficient implementation; thirdly, the real significance of the guidelines would lie in their implementation by the Secretariat and by staff in the field, but their formal adoption by the Board would be an important symbolic step. Moreover, adoption of the guidelines would demonstrate Member States' commitment to supporting UNIDO and improving its programme delivery.

9. **The PRESIDENT** thanked the delegation of Japan for its continuing and tireless efforts on behalf of UNIDO.

STATEMENTS BY SENIOR UNIDO STAFF

10. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that, during the two and a half months since his assumption of his post as Managing Director, the report of the External Auditor for the biennium 2000-2001 (IDB.26/2) had been a source of inspiration for him in evaluating the success achieved in the reform of the Organization and identifying those areas that required further improvement. Thus, for instance, there was clearly a need for improvement of monitoring systems in order to ensure maximum accountability, and for continuous assessment of management performance in order to ensure full transparency, particularly in areas such as purchasing and contracting where special vigilance was required. Proper mechanisms to control procurement would be put in place. A number of managers from the three Divisions had been invited to participate in a four-module Competency Improvement Programme on Procurement, which was expected to produce results by the end of the year 2002. It was also the intention to put together a system of internal control that would enable action to be taken on all the issues raised in the report of the External Auditor. The goal was threefold: to improve what was good; to avoid the emergence of additional weaknesses; and, above all, to eliminate the areas of weakness already identified.

11. Another project was a strategic planning exercise involving all managers and staff in his Division, the purpose of which was to measure the overall performance of the branches and services, provide a solid framework for the assessment of managers' individual performance and improve the functioning of the Division's planning and monitoring system. That exercise would also assist in supporting the work of the other two Divisions, particularly in the area of delegation of authority and responsibility to the UNIDO field offices, with particular emphasis on financial and human resources management.

12. Lastly, with regard to the provision of common services at the Vienna International Centre, it was his Division's intention to take a more proactive role by improving the quality of services provided to clients directly managed by UNIDO, and also by identifying additional areas where economies of scale could benefit all the organizations based in the Centre.

13. **Ms. FREUDENSCHUSS-REICHL** (Assistant Director-General and Director of the UNIDO New York Office) said that she wished to comment on the general purpose of the New York Office and the results achieved. In many respects the Office functioned as a UNIDO mission, providing information on UNIDO activities, reporting back to Headquarters on intergovernmental and inter-agency processes and ensuring that UNIDO's interests were safeguarded. With regard to intergovernmental processes, development issues were debated in the Second Committee of the General Assembly, where various themes of relevance to UNIDO were taken up every year. For example, draft resolutions on industrial development, on biotechnology and on operational activities were being debated at the current session. The Second Committee also debated macroeconomic questions and follow-up to major United Nations conferences. The current session had seen a very extensive debate on African development in the context of the New Partnership for Africa's Development (NEPAD). Development question were also discussed in the Economic and Social Council and the Commission on Sustainable Development. The preparatory processes for many major United Nations conferences took place in New York, and the New York Office provided inputs taking into account UNIDO's core mandates and incorporating technical inputs provided by Headquarters. South-South cooperation also constituted a very important area of involvement. Thus, the Office's task in the area of intergovernmental processes could be summarized as one of contributing to the global development discourse and the elaboration of frameworks for action.

14. Another facet of the Office's work was mainstreaming UNIDO into inter-agency processes. That work unfolded at various levels, the highest of which was that of the Chief Executives Board for Coordination, the biannual meeting of the executive heads of agencies of the United Nations system chaired by the Secretary-General, in which the Director-General of UNIDO participated. The medium-term focus of that body was implementation of the Millennium Declaration. A second level was that of the United Nations Development Group (UNDG), set up by the Secretary-General in 1997, which UNIDO had joined early in 2002. UNDG was the forum in which guidelines for the elaboration of country programme frameworks were defined. Those frameworks determined the structure of cooperation between the operational agencies and the country in which the programme was to be developed. One achievement of the New York Office had been to introduce a new indicator into the frameworks, measuring manufacturing value added. It was proposed, as a next step, to work on guidelines for a theme group focusing on technology cooperation or energy, for example. UNDG was the forum in which the Core Strategy for implementation of the Millennium Development Goals was formulated; it

was also a forum for discussing proposed reforms of the United Nations system, aspects of which were highlighted in document IDB.26/CRP.5. Lastly, inter-agency work included communication strategies, sector-specific cooperation and consultations on UNIDO initiatives with other potential actors.

15. New York was also an appropriate place from which to explain the benefits of membership to those States Members of the United Nations that were not yet Members of UNIDO, and to reach out to institutions such as the United Nations Foundation and the Global Compact, which offered access to the United States domestic constituency. Finally, the Office was attempting to realize the potential for cooperation with the Bretton Woods institutions and the Global Environment Facility (GEF).

16. **Mr. DI LISCIA** (Assistant Director-General and Director of the UNIDO Geneva Office) said that the Ministerial Declaration resulting from the Fourth Ministerial Conference of the World Trade Organization (WTO) held at Doha, Qatar, in November 2001, by placing technical cooperation and capacity-building at the core of the development dimension of the multilateral trading system, had provided the opportunity that UNIDO had been waiting for. UNIDO's presence in Geneva was crucial to exploiting that new momentum, and especially to tapping the financial resources that had been allocated for trade and development. It was in order to secure UNIDO's contribution that the Director-General had decided to strengthen the Office in Geneva.

17. In the new global context, trade had become a crucial issue. The Director-General's strategy on market access presented at the Monterrey Conference on Financing for Development was intended to enable developing countries to participate in global markets. The aim was to help them to increase productivity, facilitate trade and promote investment and technology flows. The strategy stressed the need for UNIDO to improve its relationship with development partners with a view to the implementation of joint cooperation programmes. In the past, the lack of a UNIDO presence in Geneva had meant that it was not involved from the outset in the various joint technical cooperation initiatives. UNIDO's trade-related efforts were little known and it lacked the exposure that would enable it to be treated as an equal partner in discussions of new technical cooperation schemes. Without the needed visibility, it would be very difficult for UNIDO to establish the necessary high-level dialogue. The main challenge facing him was to find solutions to those problems.

18. By strengthening the Geneva Office, UNIDO was redressing the weaknesses of the past. Priority was given to strengthening relations with the three Geneva-based organizations working in the field of trade, namely WTO, the International Trade Centre (ITC) and the United Nations Conference on Trade and Development (UNCTAD). Concrete achievements to be cited included, first, the fact that WTO now considered UNIDO a strategic partner for technical cooperation, especially in relation to supply-side development issues. The newly appointed Deputy Director-General of WTO, Dr. Rana, was visiting UNIDO in the course of the week, and concrete joint activities would undoubtedly emerge from that visit. Second, as was well known, UNIDO, in close cooperation with ITC and UNCTAD, had started a regional programme for market access facilitation in Central America. Third, a joint programme had been developed with UNCTAD to assess the challenges and opportunities for the least developed countries (LDCs) arising from the Development Agenda adopted at Doha.

19. Concerted efforts had been made to extend UNIDO's participation in the various WTO committees and working groups, and to ensure its participation in trade-related technical cooperation schemes such as the Joint Integrated Technical Assistance Programme (JITAP) and the Integrated Framework. It had managed to establish excellent relations with the WTO Trade and Development Committee. During a recent meeting of that Committee, the new WTO Director-General had elaborated on his new approach to WTO technical cooperation. An aspect of that approach relevant to UNIDO was the inclusion of supply-side capabilities in WTO technical assistance delivery. UNIDO had now been identified as a key partner on issues related to improving market access and supply-side constraints of developing countries.

20. UNIDO had assisted the WTO Technical Barriers to Trade (TBT) Committee in the preparation of a survey identifying and prioritizing developing countries' needs in the area concerned. UNIDO/WTO activities were reflected in the WTO work plan for 2003. UNIDO had also been involved in WTO seminars and had established fruitful contacts with the World Bank, with the United Kingdom Department for International Development and with the German Agency for Technical Cooperation (GTZ). A possible joint UNIDO-GTZ programme on TBT and sanitary and phytosanitary measures was being discussed; it was hoped that that might lead to a relaunch of the German voluntary contribution to UNIDO.

21. As a result of efforts by the Geneva Office, UNIDO had been granted observer status in the Working Group on Trade and Transfer of Technology. The UNIDO Environmental Management Branch had also identified activities that UNIDO could undertake in the WTO Committee on Trade and Environment.

22. UNIDO needed to further develop and strengthen its relations with the European Commission. With a view to fostering closer relations, he had recently met with the Head of the Commission Unit responsible for relations with the United Nations system, to discuss the new modalities for cooperation between the Commission and its partners under the new financial regulations due to enter into force in January 2003. At a second meeting, with the Deputy Director-General of the EuropeAid Co-operation Office, it had been decided to hold a UNIDO/EuropeAid experience-sharing workshop in Brussels in December 2002, with a view to broadening the fields for cooperation. That exercise should allow UNIDO to gain access to more European funds for the implementation of its programmes.

23. During his first year in Geneva he had witnessed the tremendous contribution UNIDO was making to trade, environmental issues and the development of productive capacities in developing countries. Unfortunately, much of that contribution went unrecognized. Unless more effort was devoted to marketing the Organization's activities, its achievements would be ignored and it would receive fewer new funds than it deserved. It was to those ends that the Geneva Office had been channelling its energies.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.26/13)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.26/2, IDB.26/3 and IDB.26/5; IDB.25/2 and Add.1)

(b) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.26/9; IDB.26/CRP.2)

(c) FINANCIAL REGULATIONS (*continued*) (IDB.26/1/Add.1)

(d) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.26/6; IDB.25/2 and Add.1)

(e) TRANSITION TO A SINGLE CURRENCY SYSTEM (*continued*) (IDB.26/4)

24. **Mr. SREENIVASAN** (India), speaking on behalf of the Asian Group, said that it was encouraging to note the observation by the External Auditor that the Organization had now achieved relevance, financial stability, improved technical cooperation delivery and improved quality of services offered through more focused activities (IDB.26/2, para. 136). Increased delivery of technical cooperation activities by the new reformed UNIDO could not but be to the benefit of Member States. The Group noted that the decline in technical cooperation delivery had been mitigated by increased Montreal Protocol activities, which, however, might gradually phase out after completion of the corresponding projects.

25. The Group also noted that the first phase of the new Financial Performance Control System (FPCS) had been successfully implemented, and that the Special Account for Programme Support had stabilized. The fact that the ratio of female Professional staff had improved was encouraging, and that trend should continue. The Group also called on the Director-General to continue efforts to ensure equitable geographical representation in Secretariat posts at all levels.

26. The Group noted the Director-General's intention to appoint a Comptroller General. It was to be hoped that the functioning of UNIDO's internal oversight services would improve in the light of the External Auditor's observations and of Programme and Budget Committee (PBC) conclusion 2002/2.

27. On the financial situation of UNIDO, it was satisfying to note a significant improvement in the rate of collection of assessed contributions. However, the Group was concerned at the number of Member States whose voting rights had been suspended owing to non-payment of contributions and arrears. It urged all Member States and former Member States that had not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so at an early date, and requested the Director-General to continue his efforts to effect the collection of arrears.

28. Mobilization of financial resources remained one of the most critical areas for the functioning of the Organization. The Group urged UNIDO to redouble its efforts to enhance its technical cooperation activities and thus assist developing countries in enhancing their industrial capacities.

29. The Group also wished to draw attention to the poor status of fund availability for the integrated programmes and country service frameworks. Only about 31 per cent of the total required funds had been

available at the end of 2001. The situation was particularly unsatisfactory in the case of the Asia and Pacific region, where in some cases the percentage of funds available for planned activities was a single-digit percentage. UNIDO should redouble its efforts to mobilize much-needed funds for the integrated programmes and country service frameworks.

30. **Mr. MOLEAH** (Observer for South Africa), speaking on behalf of the African Group, began by welcoming the appointment of the new Managing Directors, in terms both of geographical and regional representation and of gender balance. On sub-item (a) of the agenda item, he said that the drastic decrease in technical cooperation delivery over the past decade was of great concern to the Group. UNIDO should remain focused in its technical cooperation activities and find innovative ways of ensuring that technical cooperation in developing countries was prioritized alongside the new activities being developed. The Group also encouraged the Secretariat and Member States to continue their efforts to stabilize the financial situation.

31. The African Group noted with concern the high rate of non-utilized balances in 2000-2001 in the main technical cooperation programmes, including the Africa regional programme and activities under the Second Industrial Development Decade for Africa, with over 50 per cent of the funds assigned redeployed to other programmes. It urged the Secretariat to introduce a more balanced regional distribution of projects under GEF funding. Furthermore, as pointed out by the External Auditor, the reality of local socio-economic conditions should be taken into account in project formulation and implementation in order to strengthen the impact of projects. The Group also shared the External Auditor's view that detailed evaluations of global forum activities were a necessary precondition for a timely and efficient incorporation of the respective strategic outputs into UNIDO's work, and called upon UNIDO to establish synergies between those activities and country-designed integrated programmes.

32. The Group noted the External Auditor's positive assessment of the overall performance of UNIDO. It considered that UNIDO should improve its service delivery and measurable outcomes in order to enhance its international image and attain its goals. It welcomed the contributions of the External Auditor to improving the economy, efficiency and effectiveness of financial and operational procedures. The Internal Oversight Group should be strengthened through adequate staffing, with the deployment of a qualified investigator of areas of risk.

33. On sub-item (b), the Group noted the improved rate of collection of 2002 assessed contributions and encouraged all Member States, including former Members, to honour their obligations in full and on time. Concerned at the large number of Member States whose voting rights had been suspended, it called on all Member States to pay their arrears in full and to arrange payment plans with the Director-General.

34. Regarding progress made on mobilizing financial resources for technical cooperation activities, the African Group recalled the decision adopted at the twenty-fifth session of the Board on fund mobilization for integrated programmes, welcomed new offers of funding for such programmes and requested the Director-General to maintain a continuous dialogue with Member States in order to sustain resource mobilization. The Group attached great importance to the mobilization of financial resources for UNIDO's programmes and was pleased to note the Director-General's report on the measures adopted to boost financial resources for the implementation of programmes, particularly the integrated programmes. It welcomed the Director-General's proposal to donors and Member States to target funding of integrated programmes as the first priority for the biennium 2003-2004; it commended the Director-General for exploring innovative means of fund mobilization, particularly the thematic partnerships with selected donors and the ideas for programmable funds, project grouping and cooperation in project conceptualization. The Group thanked those donors who had contributed under the theme "Enabling developing countries to participate in international trade—strengthening the supply capacity". Lastly, it commended the Director-General for recommitting UNIDO to striving for industrial development and poverty alleviation in developing countries, as demonstrated at the Monterrey Conference and by UNIDO's initiative at the World Summit on Sustainable Development.

35. **Mr. NAQVI** (Pakistan) expressed satisfaction at the External Auditor's positive assessment of the overall performance of UNIDO, especially with regard to financial management and maintenance of accounts. UNIDO was also to be commended for having been able to introduce the new Financial Performance Control System using its own resources, at comparatively low cost. His delegation hoped that UNIDO would continue to improve gender balance in Secretariat posts, and to ensure equitable geographical representation so that more countries within each region were represented in the Secretariat. It also noted the significant improvement in the rate of collection of contributions.

36. However, insufficient availability of funds for the integrated programmes continued to be a source of concern. His delegation urged the donor community to

provide more funds for those programmes and called upon the Secretariat to redouble it efforts to that end. At the same time, economic viability of projects must be the main consideration in the formulation of integrated programmes, so that scarce resources were not wasted on incomplete or stalled projects. The performance evaluation mechanism should include an overview of efforts made by integrated programme teams to mobilize external and internal funds for projects. Recipient countries might also become involved in the organization of donor conferences and country promotion seminars. The Government of Pakistan had already indicated its willingness to participate in organizing such events for the promotion of Pakistan's integrated programme. His delegation looked forward to a concrete proposal from UNIDO for fund mobilization efforts through such approaches, and hoped that the Executive Committee of UNIDO would release the much-needed funds already informally pledged for Pakistan's integrated programme.

37. **Mr. PAULINICH** (Peru) said that his delegation supported all the draft decisions recommended in the report of the Programme and Budget Committee on the work of its eighteenth session (IDB.26/13) for adoption by the Board. The decisions recommended would send a clear message of support for the efforts by countries with fewer resources to achieve sustainable industrial development. In particular, the adoption of the draft decision recommended in conclusion 2002/3 (IDB.26/13, para. 14) would enable UNIDO to use the unencumbered balance of appropriations referred to in General Conference decision GC.9/Dec.10 to finance integrated programmes. Peru also attached special importance to the draft decision in conclusion 2002/5, under which the Board would encourage the donor community and other sources of financing to increase their voluntary contributions to UNIDO. Those draft decisions reflected both a wish to mobilize more resources for the formulation and implementation of technical cooperation projects and the need to use the scarce resources available more efficiently, in areas in which UNIDO enjoyed comparative advantage and the greatest economic and social impact could be achieved.

38. **Mr. CHAVEZ** (Ecuador), welcoming the positive assessment by the External Auditor of the financial performance of UNIDO contained in document IDB.26/2, said that his delegation supported the ongoing efforts to improve financial and programme performance and for that reason also supported the draft decision recommended in conclusion 2002/2 in the report of the Programme and Budget Committee (IDB.26/13).

39. The sharp fall in expenditure on technical cooperation during the past decade was clearly a cause for concern. The apparent upturn in the implementation rate in the biennium 2000-2001 was welcome, but more resources were nonetheless needed, and his delegation would like to see the level of voluntary contributions meet the Secretariat's forecasts. In that context, his delegation supported the draft decisions recommended in PBC conclusions 2002/3 and 2002/5.

40. Although Ecuador had for some time been facing a difficult economic situation, it was up to date with the payment of its assessed contributions. Moreover, the Government had contributed US$ 200,000 to the seed fund, fixed at US$ 1 million, for the integrated programme to improve the country's industrial competitiveness. UNIDO had also allocated US$ 200,000 from its own resources. The Ecuadorian authorities and UNIDO had been making preparations for the programme activities and, as a result, implementation of the first component of the programme—"Assistance to the National Competitiveness Council"—would begin in December 2002. He hoped that that information would encourage the donor community to make voluntary contributions to the integrated programme, for which the planned expenditure was US$ 4.7 million over three years.

41. His Government was grateful to the Secretariat for its commitment to the integrated programme and in particular for the study relating to the project on alternative generation of electricity with small hydroelectric plants of less than five megawatts. It would continue to work with the Secretariat on that project.

42. **Mr. SAHINBAS** (Turkey), noting that technical cooperation should remain the nucleus of UNIDO activities, said that the success of those activities was dependent on the mobilization of adequate funding and the timely payment of assessed contributions. His delegation was pleased to note, as mentioned in document IDB.26/9, that the rate of collection of 2002 assessed contributions had been 87.6 per cent—the highest since UNIDO had become a specialized agency. Nonetheless, the voting rights of 53 Member States had been suspended as at 31 July 2002. His delegation therefore reiterated its request that the Director-General should continue his efforts to collect arrears, and supported the view that payment plans should be encouraged. It was to be hoped that the proposed payment plan for Azerbaijan would be approved. The duration of payment plans was an issue of concern for other international organizations as well; the duration of their plans varied from 5 to 20 years.

43. **Mr. ZHANG Yan** (China) commended the achievements of UNIDO during the past year, in particular the progress of the reforms designed to

stabilize the Organization and improve its financial situation. His delegation was confident that the Director-General would lead UNIDO to further achievements in the future and that the appointment of the three new Managing Directors would bring a fresh vitality to the Organization. He was pleased to note that the rate of collection of 2002 assessed contributions had reached 87.6 per cent, significantly higher than in 2001. However, a number of Member States were still in arrears, and he called on them to pay their contributions in full and on time. He also hoped that the Secretariat would redouble its efforts to solve the problem of debts owed by former Member States. His delegation would continue to follow closely the situation of contribution collection as well as the general financial situation of the Organization.

44. With regard to the medium-term programme frameworks, 2002-2005 and 2004-2007, and the paper prepared by the delegation of Japan (IDB.26/15), his delegation considered that the priority areas and objectives outlined in the strategy paper conformed to the 1997 Business Plan. The Organization needed to review and adjust its operations on an ongoing basis in order to respond more effectively to new challenges and the changing needs of developing countries. However, sufficient funds were required in order to put such strategies and plans into practice, and his delegation therefore hoped that UNIDO would intensify its efforts to mobilize resources.

45. His delegation supported the active participation of UNIDO in major international events and also the organization by UNIDO of international forums such as the Global Biotechnology Forum to be held in Chile. It also welcomed the publication by the Secretariat of the Industrial Development Report, which would provide useful guidance for Member States, particularly developing countries. It was to be hoped that the report would become a permanent feature of the Secretariat's activities and that its quality would be further enhanced so that it would become an emblem of the Organization.

46. An international seminar on the most dynamic regions of China, organized jointly by UNIDO and the Chinese Government, would be held in China in December 2002. The Chinese authorities attached great importance to the event and were devoting substantial human and material resources to it. The seminar promised to be a good opportunity for discussion among specialists and experts who were interested in development issues, particularly those relevant to developing countries, and he invited UNIDO officials and experts to attend it.

47. **Mr. KIM Chang-mo** (Republic of Korea) welcomed the finding of the External Auditor that the Organization had achieved relevance, financial stability, improved technical cooperation delivery and improved quality of services, and commended the efforts of the Director-General and the Secretariat in that regard. He also welcomed the plan to establish an "Office of the Comptroller General" so as to strengthen internal oversight.

48. His delegation was pleased to note the improved rate of collection of outstanding contributions, but remained concerned at the non-payment of contributions or arrears which had led to the suspension of the voting rights of 53 Member States. He requested the Secretariat to continue its efforts to collect outstanding dues and called on those Member States in arrears to settle them. He also urged the Secretariat to make further efforts to enhance the implementation of technical cooperation activities designed to help developing countries strengthen their industrial capacities and become more competitive on the global market.

49. The level of funding for integrated programmes and country service frameworks was comparatively low: at the end of 2001, only about one third of the required funds had been made available. The percentage for some countries in Asia and the Pacific was only a single-digit percentage. His delegation urged the Secretariat to continue its efforts to mobilize the necessary funds and encouraged donors and Member States to increase their voluntary contributions.

50. **Mr. CABAÑAS RODRIGUEZ** (Cuba) welcomed the improvement in the financial situation of UNIDO over the past few years, which had enabled it to consolidate its position as a specialized agency promoting sustainable industrial development. The Organization needed to increase its visibility in recipient countries through concrete technical cooperation activities. However, those activities required additional resources, and he appealed for the understanding and flexibility of the donor community in that regard. Recipient countries, for their part, were responsible for making efficient use of the resources allocated to them, and the Organization's programmes and projects should therefore conform to the development priorities of the country in question. With regard to the integrated programme for Cuba, his delegation was pleased with the results achieved so far in key economic sectors such as food production and engineering industries, and also in investment promotion, computerization for the industrial sector and environmental protection.

51. **Mr. LAL** (India), emphasizing his country's commitment to the activities of UNIDO, said that India paid its assessed contributions promptly and regularly and had also been making voluntary contributions to the Industrial Development Fund. UNIDO had undergone a

successful transformation in recent years and had achieved stability. The Business Plan adopted in 1997 had laid the foundations for that transformation by sharpening the focus of the Organization's activities. His delegation was pleased to note that the financial and programme performance of the Organization continued to improve, according to the External Auditor. After the financial difficulties of the 1990s, there was now an operational budget surplus. The structural reforms of the past few years had made it possible to achieve all those improvements, and the reform process should continue. However, a period of stabilization was also needed to consolidate the progress made so far.

52. The External Auditor noted that the collection of younger receivables was excellent and that measures had been taken to increase the collection rate for old receivables (IDB.26/2, paras. 17-18). Nonetheless, it was a matter of concern that the voting rights of 53 Member States had been suspended because of the non-payment of contributions or arrears. His delegation therefore urged all Member States which had not yet done so to pay their assessed contributions, and also called on both current and former Member States to settle any arrears they might have.

53. The mobilization of financial resources remained critical to the effectiveness of the Organization. His delegation noted that in 2001 approximately half of extrabudgetary funding had been obtained under the Montreal Protocol and the Global Environment Facility, while the other half had consisted of contributions made by Governments through the Industrial Development Fund or the trust fund mechanism.

54. It was pleasing to note that UNIDO was devoting attention to the environmental aspects of industrialization. His country was committed to the promotion of cleaner production technologies, and a project in that area, organized jointly by UNIDO and Switzerland, was already under way in India. India was also supporting the formulation of projects using GEF funding.

55. **Mr. MOTTAGHI NEJAD** (Islamic Republic of Iran) said that the funds available to the Organization had decreased by nearly 50 per cent since 1990. That decline had been moderated by an increase in the number of projects funded under the Montreal Protocol, but as those projects were now reaching a conclusion more attention needed to be paid to the mobilization of additional funds. The recent replenishment of GEF had been the largest in its history and gave grounds to hope that the agreements reached at the World Summit on Sustainable Development in Johannesburg would be implemented. UNIDO should explore the possibility of obtaining resources from GEF, United Nations funds and bilateral development assistance agencies.

56. **Mr. MORENO** (Italy) said that voluntary contributions—both monetary and in kind—were often as important as assessed contributions for the work of UNIDO. Voluntary contributions not only made it possible to deal with new or urgent needs; in many cases, they enabled the Organization to fulfil its core mandate. In particular, funding for integrated programmes, regional programmes, field activities and important initiatives such as technology foresight and business incubators were largely dependent on voluntary contributions. Therefore, in line with PBC conclusion 2002/5, Member States and other financial sources should be encouraged to increase their voluntary contributions.

57. However, to achieve that aim, voluntary contributions needed to be accorded the same importance as assessed contributions. A strategy should be developed to encourage donors to finance regional projects and thematic initiatives through coherent fund-raising campaigns and burden-sharing proposals which could include recipient countries.

58. He welcomed the introduction of payment plans to help those countries in arrears. He also called on all Member States to support the Director-General in his efforts to attract new Member States to the Organization and to encourage former Member States to rejoin.

59. **Mr. MOKADADER** (Morocco), commending the constant efforts of UNIDO, and in particular the Director-General, to mobilize funds, welcomed the fact that the Organization continued to give priority to integrated programmes despite the instability of the funding situation. His delegation also welcomed the fact that UNIDO had sent a mission to Morocco in September 2002 to gather up-to-date information about the project for women's entrepreneurship development, which was a component of the country's integrated programme. In accordance with UNIDO guidelines, the Moroccan authorities intended to involve non-governmental organizations, local support institutions and local partners in the implementation of the programme. His delegation thanked Spain in particular for substantially increasing its contribution to the programme.

60. His delegation shared the view that Member States should consider increasing their voluntary contributions to UNIDO. Moreover, it would be desirable for donor countries to give contributions that were not tied to specific projects so that the Organization could implement integrated programmes in a coordinated manner.

61. **Mr. HENDAOUI** (Tunisia) welcomed the results achieved so far in the process of reform of UNIDO, in particular the financial stability which had been established in the past two bienniums. His delegation also welcomed the report of the External Auditor and the comments of the Director-General on it (IDB.26/2 and IDB.26/3). It was particularly pleasing to note that the unencumbered balances of appropriations had fallen significantly since the period 1994-1997. Moreover, the rate of collection of assessed contributions in 2002 had been the highest since UNIDO had become a specialized agency.

62. His delegation was nonetheless concerned that the voting rights of a number of Member States had been suspended, and stressed the vital importance of settling arrears and paying contributions on time. His delegation was also concerned about the continued decrease in technical cooperation expenditure and delivery highlighted by the External Auditor.

63. His delegation welcomed the Director-General's efforts to mobilize financial resources, since the funds available for technical cooperation under the regular budget were limited. It was pleasing to note that priority was being given to the mobilization of funds for the implementation of integrated programmes and, in that regard, his delegation welcomed the launch of a trust fund to finance activities linked to the initiative presented at the International Conference on Financing for Development at Monterrey, Mexico. However, although the mobilization of resources was important, it was equally important for the relevant authorities and UNIDO field representatives to promote close relations with donors. In addition, more effort should be made to encourage voluntary contributions, which were as important as regular budget contributions.

64. **Mr. MANALO** (Philippines) said that his delegation had noted the recommendations contained in the report of the Programme and Budget Committee. He also welcomed the report of the External Auditor and said that his delegation was particularly interested in the recommendations it contained in the following areas: the full implementation of the Financial Performance Control System, within the limits of existing human resources; steps to improve gender balance and geographical representation in the Secretariat; enhancement of the functions of the Internal Oversight Group; greater coordination between UNIDO field offices in recipient countries; harmonization of UNIDO processes with the standard procedures of the donor community; and efforts to increase the Organization's financial resources through the effective collection of dues from both current and former Member States and new initiatives to mobilize extrabudgetary resources. Those recommendations and others in the report of the External Auditor were crucial in order to enhance service delivery, and their implementation should be closely monitored in the coming years.

65. **Ms. AL-RAFIE** (Jordan), commending the process of reform of the Organization's structure and financing, said that her delegation welcomed the continued emphasis on technical cooperation delivery in the reports submitted to the Board. She also welcomed efforts to improve accountability and efficiency in the mobilization of resources. Although the rate of collection of assessed contributions had improved, the Organization must be realistic in its projections of contributions and should distribute the available funds more equitably. It was a matter of concern that the voting rights of a number of countries had been suspended, and efforts to collect arrears should be continued. The momentum of technical cooperation projects must be maintained.

66. Her delegation had noted with interest that the External Auditor had examined two projects in one developing country as part of a general review of the Organization's technical cooperation activities. Further such reviews should be conducted in the future because they enabled the Organization to obtain qualitative feedback on implemented projects, which in turn improved the selection and implementation of future projects. Of the two projects examined by the External Auditor, one had been found to be economically unviable. With regard to the other, weaknesses in administrative procedures had been identified which would have made it possible for cases of corruption—not necessarily involving UNIDO—to arise. Such project feedback was extremely important, and her delegation therefore requested the Organization to ensure that the next report of the External Auditor contained reviews of a larger and more representative sample of projects.

67. The conclusions in paragraphs 75-80 of document IDB.26/2 concerning the planning of project activities were very important. It was also necessary to have alternative work plans and to impose penalties on companies that were late in fulfilling their obligations and which failed to adhere to equipment specifications. The provision of manuals in the relevant national languages was particularly important in order to ensure that projects were implemented properly and safely. The implementation of a code of ethics, also recommended by the External Auditor, was absolutely essential, and her delegation was pleased to note the Director-General's positive stance on that issue.

68. UNIDO still did not have a comprehensive system of quality management. Discussions on the matter should be concluded without delay so that decisions

could be taken on specific issues such as the establishment of reliable performance assessment criteria for various areas, including human resources. The reform process in the Organization had already produced positive results but was not yet complete, and her delegation therefore encouraged the Internal Oversight Group to continue its work. In addition, ways of reducing the time spent on administrative tasks should be explored, so that efforts could be focused on actual programme implementation.

69. **Mr. DE MIGUEL ALVAREZ** (Spain) said that his delegation concurred with the general opinion among Member States that the reform of UNIDO, which had been the main objective of the Director-General's first term, had been very successful. The Organization had now entered a new phase and must take up the challenge of ensuring that its cooperation had a positive and visible impact in recipient countries. To improve the impact of UNIDO's work, the Director-General had undertaken a restructuring exercise, and his delegation welcomed the three new Managing Directors.

70. In recent years, Spain had demonstrated its commitment to UNIDO by participating in an ongoing dialogue with a view to helping define the Organization's policy, by making contributions to the Industrial Development Fund and by putting forward proposals for involving the Spanish private sector in UNIDO activities. Most of his country's voluntary contributions over the years had helped to finance a project for women's entrepreneurship development under the integrated programme for Morocco, and he appreciated the comments made by the representative of Morocco in that regard.

71. Spain continued to take a great interest in integrated programmes and also welcomed the information provided about the thematic initiatives. It was to be hoped that those initiatives would serve to strengthen the Organization's activities, facilitate the mobilization of resources and improve the effectiveness of integrated programmes. The initiatives in the areas of trade facilitation and rural energy were of particular interest to his country.

72. **Mr. SCHNYDER VON WARTENSEE** (Switzerland), commending the achievements of UNIDO over the past year, welcomed in particular the stabilization of the Organization's financial situation. His delegation was particularly pleased to note that the rate of collection of 2002 assessed contributions, at 87.6 per cent, was the highest achieved since UNIDO had become a specialized agency. That reflected Member States' satisfaction with the work done by UNIDO, and he wished to encourage the Organization to continue its efforts in the same direction.

The meeting rose at 6.15 p.m.

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Twenty-sixth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 November 2002, at 10 a.m.

President: Mr. HORVATH (Hungary)

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The meeting was called to order at 10.28 a.m.

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.26/CRP.4 and CRP.5)

(a) UNIDO PARTICIPATION IN MAJOR INTERNATIONAL EVENTS (IDB.26/12 and Corr.1)

(b) IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (*continued*) (IDB.26/7 and Corr.1 and IDB.26/15)

(c) GLOBAL BIOTECHNOLOGY FORUM (IDB.26/10)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.26/8 and IDB.26/15)

1. **Mr. V. C. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, took note of document IDB.26/12 and Corr.1 and acknowledged the relevance of global forum activities, but stressed that they should lead to strengthening the technical cooperation programme and, in particular, contribute to reducing unemployment, alleviating poverty, bridging the gap between developed and developing countries and lessening the risk of marginalization of developing countries.

2. He welcomed the Secretariat's participation in the Monterrey Conference and the recent World Summit on Sustainable Development at Johannesburg, South Africa, and commended the initiatives launched in the areas of rural energy and technology transfer, emphasizing the need for such initiatives to take the priorities of developing countries into account. UNIDO should continue to cooperate with the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (UNCTAD/WTO) in helping developing countries and countries with economies in transition to overcome technical barriers to trade.

3. The Group of 77 and China took note with interest of document IDB.26/7 and Corr.1, supported the medium-term programme framework (MTPF) for 2002-2005 and recognized UNIDO's essential role in building industrial capacity aimed at facilitating market access and poverty reduction. They reaffirmed the importance of the initiatives of UNIDO for strengthening the industrial capacities of developing countries and promoting investment, technology transfer, interaction with the private sector and interregional cooperation.

4. He was pleased to note that UNIDO continued to provide technical cooperation services in such important areas as the development of small and medium enterprises, agro-industry, South-South cooperation, the promotion of cleaner production, greenhouse gas reduction and energy. He welcomed the measures taken by UNIDO to disseminate technology foresight activities in Africa and Asia. A rational system of technical cooperation delivery was essential, and the steps taken to establish an appropriate monitoring and evaluation system for the field structure were to be welcomed; they would help ensure that a unified image of UNIDO was presented.

5. With regard to the Global Biotechnology Forum (IDB.26/10), biotechnology could contribute to sustainable development and help meet socio-economic needs, particularly in agro-food and processing industries. The objectives of the Global Biotechnology Forum were relevant to the strengthening of sustainable industrial capacities of developing countries. The Group of 77 and China urged Member States to actively participate in the Global Forum, to be held at Concepción, Chile, in December 2003, and in the regional consultative meetings.

6. Turning to agenda item 4, concerning the medium-term programme framework, 2004-2007 (see document IDB.26/8), he said that the new MTPF should maintain broad continuity with the MTPF for 2002-2005 and take into account the 1997 Business Plan on the Role and Functions of UNIDO. Any recommendation on programme improvements should be in conformity with the concepts outlined in those documents. The Group of 77 and China hoped that the new thematic initiatives being developed would be incorporated in integrated programmes or country service frameworks to encourage new financial commitments from donors.

7. The Secretariat should give due consideration to the strategic guidelines for the MTPF proposed by Japan; Japan's initiative in that regard constituted a constructive contribution towards UNIDO's improvement.

8. **Ms. POULSEN** (Denmark), speaking on behalf of the European Union (EU) and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Turkey, said that the MTPF for 2004-2007 should maintain broad continuity with the current MTPF but that UNIDO should continue adapting its functions to the changing global economic environment. Any change in direction should take into account UNIDO's comparative advantages, the priorities set in the 1997 Business Plan

and a realistic assessment of likely available funds. The EU wished to see clear evidence that the new framework would lead to a significant increase in the percentage of technical cooperation funding going to the least developed countries and a more focused range of interventions.

9. UNIDO should continue to work with other agencies to improve the delivery of development assistance across the United Nations system. The EU welcome UNIDO's efforts to keep in close contact with the relevant stakeholders and welcomed the presence of the Deputy Director-General of WTO.

10. The guidelines proposed by Japan were a valuable contribution to the implementation of the current MTPF and the development of the next MTPF. It was important to better identify areas in which UNIDO had a comparative advantage.

11. With regard to the new thematic initiatives, new initiatives should be embarked on only if funding was secured and when the initiatives were within the priorities of the Business Plan. The EU requested the Director-General to prepare an assessment of the proposed initiatives and to inform Member States of those he regarded as the most promising and how and when he proposed to introduce them.

12. Regarding the Global Biotechnology Forum, if the Forum was to contribute to the ongoing debate in other forums on the relevant issues it was vital that the key stakeholders should be closely involved in its planning. The composition of the Forum's Steering Committee should reflect that. It would be helpful if the Secretariat could circulate a list of the Steering Committee members as soon as possible.

13. A balanced approach to biotechnology was necessary to ensure that the Forum remained technical and focused on realistic objectives. That should be reflected in the language used in documents related to the Forum.

14. Any significant future UNIDO activities in the field of biotechnology should be subject to further discussion by the governing bodies. It was time for the Board to clarify UNIDO's role in the preparation for the Forum. The current Board session should pass a short resolution welcoming the Forum but stipulating that the Secretariat should ensure that the Forum's priorities were clearly related to UNIDO's mandate. The resolution should also clearly recall the procedures for reporting on the Forum's outcomes to the governing bodies of UNIDO, which would then decide on any follow-up.

15. UNIDO had been accepted by the Global Environment Facility (GEF) as an executing agency and was to be congratulated on its performance in that regard. The EU encouraged it to implement appropriate projects funded through the Facility, particularly where they involved technology transfer.

16. In conclusion, she reiterated the need for UNIDO to focus on areas where it had comparative advantages and where it could contribute towards the achievement of the Millennium Development Goals. New initiatives should also be seen in that context.

17. **Mr. FIGUEROA** (Observer for Argentina), speaking on behalf of the Latin American and Caribbean Group (GRULAC), reiterated the Group's support for UNIDO's participation in international events concerned with development. A concrete result of such meetings had been the launch of a trade facilitation programme for Central America. With regard to the implementation of the MTPF for 2002-2005, he reiterated the importance of the initiatives for promoting industrial capacities in developing countries, investment promotion, technology transfer, interaction with the private sector and interregional cooperation. GRULAC welcomed UNIDO's activities in the areas of small and medium industries, South-South cooperation and agro-industry and shared its concern to promote clean development, the reduction of greenhouse gases, the efficient use of energy and increased use of renewable and alternative sources of energy.

18. Regarding technology foresight, GRULAC attached particular significance to the current project in the Latin American and Caribbean region and supported measures to extend technology foresight activities to other regions. The Group urged the Secretariat to continue its efforts to monitor and evaluate field representation with a view to strengthening it.

19. GRULAC supported the Global Biotechnology Forum to be held at Concepción, Chile, and expected it to facilitate effective technology transfer and the sustainable economic development of the least developed countries

20. On agenda item 4, he expressed hope that the MTPF for 2004-2007 would maintain continuity with the MTPF for 2002-2005. GRULAC supported Japan's proposals for improving programme efficiency and had taken part in the negotiations on document IDB.26/15 in a flexible spirit. It attached great importance to the Secretariat's proposal on new thematic issues, and hoped soon to receive detailed proposals from the Secretariat on the MTPF for 2004-2007.

21. **Mr. SREENIVASAN** (India), speaking on behalf of the Asian Group, said that UNIDO's participation in international events would help enhance its profile, promote cooperation within the United Nations system and facilitate the mobilization of additional funds for

cleaner and sustainable development projects in areas where UNIDO had comparative advantages. He welcomed such UNIDO initiatives as the trust fund for trade facilitation launched during the Monterrey Conference and the initiatives on rural energy for productive use and on technology transfer. The Organization's participation in global forum activities should strengthen technical cooperation delivery, helping to reduce unemployment, alleviate poverty and lessen the gap between developed and developing countries.

22. The Group hoped that the recent adoption of a new structure for UNIDO, with three divisions, would prove successful in providing greater focus and coordination. Although reforms should continue, a period of consolidation was now required.

23. The new thematic initiatives should be incorporated in integrated programmes and country service frameworks.

24. Small and medium enterprises (SMEs) played an important role in reducing poverty, and he commended the Organization's efforts to implement a policy that took into account the special needs of the SMEs. He supported the proposed stress on rural and women's entrepreneurship and attached importance to UNIDO's cluster and networking activities. He took note of the shift in emphasis in Montreal Protocol projects towards plans for phasing out ozone-depleting substances.

25. With regard to the Global Biotechnology Forum, the Group attached importance to UNIDO's role in providing the least developed and developing countries with mechanisms to promote technology development and transfer.

26. Turning to item 4, he expressed support for UNIDO's efforts to promote the focusing of its services within the broad framework defined by the Business Plan and the MTPF for 2002-2005. The Group hoped that UNIDO's transformation would make its work more focused and efficient. UNIDO's policy should be geared to responding to a constantly changing international economic environment and the special needs of its client countries. The Asian Group welcomed Japan's proposal for strategic guidelines for UNIDO programmes. The Group hoped that the proposals would be taken into consideration in the implementation of the Business Plan.

27. **Mr. SCHOOMBIE** (Observer for South Africa), speaking on behalf of the African Group and referring to agenda item 3 (b), said that the Group attached great importance to the principles enshrined in the medium-term programme framework, 2002-2005, including the geographical, sectoral and thematic focus of UNIDO activities and the prioritization of services to the least developed countries, which, in the case of Africa, meant support for agro-related industries and small and medium enterprises. UNIDO should continue its efforts to strengthen the industrial capacities of developing countries so that those countries could become fully integrated into the world economy. He welcomed efforts to promote investment and technology transfer and the establishment of an interregional Africa investment promotion agency network.

28. SMEs were crucial for economic growth, job creation and poverty alleviation in Africa, and the UNIDO programme for rural and women's entrepreneurship development was therefore particularly important. The Group urged the Organization to pursue further initiatives in that regard and reiterated the importance it attached to the global training programme for cluster and network development functions.

29. South-South cooperation should be promoted as an important means of creating complementarities and reducing the marginalization of developing countries. The Organization also had an important role to play in technology transfer, with a view to enhancing the industrial base of developing countries. With regard to cleaner and sustainable industrial development, the Group hoped that the 10 new National Cleaner Production Centres (NCPCs) envisaged in the medium-term programme framework, 2002-2005, would be established. Other priority areas for the Organization were energy efficiency, renewable and alternative sources of energy and agro-related industries. The Group also hoped that, in the coming year, technology foresight activities would be extended to Southern Africa and the Maghreb region.

30. Members of the African Group had contributed to the preparation of the proposed strategy paper contained in document IDB.26/15 and believed that UNIDO should remain a focused and results-oriented organization with visible and measurable output and service delivery. It would be important for the Organization to adhere to the 1997 Business Plan when it implemented the strategic guidelines in the document.

31. With regard to item 4, he said that the medium-term programme framework, 2004-2007, should maintain continuity with the current framework. However, there was scope to adjust the range of services offered by the Organization and to refine implementation in accordance with changes in demand. In that regard, the Group particularly welcomed the new concept of thematic initiatives which, combined with integrated programmes in individual countries, should help to attract fresh financial support from donors. It was to be hoped that those initiatives would provide the specialized assistance needed to enable developing countries to overcome technical barriers in various areas

of industrial development, and that those considered most promising could be introduced without delay.

32. **Mr. JENKINS** (United Kingdom) said that document IDB.26/15 was fully consistent with the 1997 Business Plan and would be very useful when the next medium-term programme framework was drawn up. The United Kingdom had long supported calls for UNIDO to become more effective and efficient by focusing on a small number of niche areas where it had particular expertise. That approach would help to ensure that UNIDO was recognized as a relevant organization by the international community.

33. He welcomed the suggestion in the document that programmes should be demand-led and linked to national poverty reduction and development strategies, as that would encourage national participation. He agreed that UNIDO needed to focus its global forum activities on ways of ensuring that the poor benefited from globalization. The document also rightly emphasized the need for proper coordination between UNIDO activities and United Nations system-wide activities so that the Millennium Development Goals could be more easily achieved. Lastly, it mentioned the likely benefits of a results-based management system, in which evaluation of performance would play a key role. In that context, his delegation welcomed the plan to establish a Comptroller General's Office. As a result of wide-ranging consultations, the document took into account the views of all Member States, and his delegation looked forward to its adoption later in the session.

34. The document did not, however, address the report of the Secretary-General of the United Nations on "Strengthening of the United Nations: an agenda for further change". That report contained a number of recommendations that were relevant to UNIDO, and his delegation therefore welcomed the Director-General's stated intention to give the issue due consideration.

35. Referring to document IDB.26/7, he expressed his delegation's full support for the Organization's efforts to improve field representation, including the introduction of a career-training plan for UNIDO representatives and plans to improve coordination. It was to be hoped that some of the new recruits in the coming years would have gained field representation experience with other agencies of the United Nations system. He also welcomed the fact that the most recent gathering of heads of Investment and Technology Promotion Offices (ITPOs) had been held in the United Kingdom to coincide with the inauguration of the United Kingdom ITPO.

36. The Global Biotechnology Forum would provide an opportunity to discuss how biotechnology could contribute to sustainable development. The UNIDO Secretariat was no doubt aware that it would be counter-productive for the Forum to concern itself with the controversial issues of trade in genetically modified products and intellectual property rights, or to allow its deliberations to become politicized. It was to be hoped that the Board would reach a consensus on support for the Forum.

37. Regarding agenda item 4, he welcomed the development of thematic initiatives as a means of delivering technical cooperation, but hoped that the Secretariat would make a realistic assessment of funding possibilities and take into account the need for focus when it decided which initiatives to proceed with. His delegation strongly supported the thematic initiative on enabling developing countries to participate in international trade, which was in line with views expressed by development ministers at the Group of Eight Summit in Kananaskis, Canada, in June 2002. He would be signing a memorandum of understanding to formalize a United Kingdom contribution to the trust fund for that initiative during the current session of the Board.

38. It might be helpful for the Secretariat to arrange a workshop where development experts could discuss priorities for the next medium-term programme framework. Representation would need to be balanced to ensure that the process was demand-led but also took account of donor funding priorities. The United Kingdom would be pleased to provide an expert to participate in any such workshop.

39. **Mr. BERDENNIKOV** (Russian Federation) welcomed the continued improvement in the overall financial situation of UNIDO and the high rate of payment of contributions and settlement of arrears during the reporting period. However, the total amount of outstanding contributions remained high and the voting rights of 51 Member States had been suspended. Efforts to resolve the problem by working with countries which were in arrears should continue, and the possibility of debt restructuring should be considered in that context. The countries of Central and Eastern Europe had a particularly good record in the timely payment of their contributions. His delegation would welcome a progress report from the Secretariat on the matter.

40. It was particularly worrying that the non-payment of contributions had resulted in reduced expenditure on technical cooperation over the past decade. Resources should be mobilized through cooperation with international organizations and the Bretton Woods institutions, and in the context of the Global Environment Facility and major international agreements.

41. His delegation welcomed the development of thematic initiatives on the basis of existing integrated

programmes and country service frameworks. It was to be hoped that those initiatives would improve the efficiency of the Organization, foster contact with potential donors and help to mobilize additional resources. The potential for obtaining new funding from the private sector should also be explored. In that connection, his delegation requested the Secretariat to provide information on the outcome of the Partnership Programme, particularly with regard to resources for the Industrial Development Fund.

42. His delegation also welcomed the recent introduction of the financial performance control system and supported the draft decision recommended by the Programme and Budget Committee on strengthening internal oversight, which he urged members to approve.

43. His delegation supported the proposals of the Director-General for the medium-term programme framework, 2004-2007, contained in document IDB.26/8, which took into account the need for continuity and the need to adapt the Organization's services to changes in the international situation. It was also emphasized that it was important for UNIDO to concentrate on the areas in which it had particular expertise. One of those areas was the strengthening of industrial capacities in developing countries and countries with economies in transition. In that context, the Organization's activities in the field of investment and technology transfer and interregional cooperation were particularly important and should focus on institutional capacity-building, training national staff of investment promotion agencies and the development of investment projects.

44. His delegation welcomed the proposed strategy paper contained in document IDB.26/15 and hoped that the proposals would be taken fully into account in the Organization's programmes for 2002-2007. Lastly, his delegation supported the stand taken by UNIDO at the Monterrey Conference and the Johannesburg Summit.

45. **Mr. GONZALEZ ANINAT** (Chile) said that, as announced at the previous session of the Board, Chile planned to host a Global Biotechnology Forum in the year 2003; it would be held at Concepción in December. The Government of Chile, under President Lagos, had offered its full backing for the event. He expressed gratitude for the support received from a number of Member States, and from UNIDO as a whole, in the organization of the Forum, and said that every effort would be made to ensure its success.

46. The Forum would allow Governments, the private sector, academics, non-governmental organizations and civil society to come together with a view to developing a joint strategy on the use of biotechnology to promote equitable sustainable development. It would also provide a clear opportunity to analyse the possible impact of biotechnology on the economies of developing countries and countries in transition.

47. He announced that the Permanent Mission of Chile, in conjunction with the Government of Austria and UNIDO, was organizing a seminar on human security and food security, with special emphasis on biotechnology, which was to be held in December 2002 in Vienna. Interested countries and international academics and scientists involved in biotechnology had been invited, and he would also welcome the participation of other Member States.

48. Lastly, he commended the proposed strategy paper contained in document IDB.26/15, which provided a sound basis for consideration of the Organization's work in the medium term.

49. **Ms. H. MOHAMED** (Ethiopia) said that African countries were making efforts to consolidate peace, security, democracy and good governance, which were prerequisites for economic growth and sustainable development. Those principles were also at the heart of the New Partnership for African Development (NEPAD). However, Africa still required assistance and resources in order to implement NEPAD, and UNIDO had an important role to play in that regard.

50. The Organization's efforts to employ and train local experts for the implementation of integrated projects should be maintained in order to promote sustainable development and technology transfer. The use of local experts kept costs down and meant that each country built up a body of people with the skills needed to implement projects.

51. Cooperation between UNIDO and like-minded organizations might provide a means of locating additional sources of funding and might also help to avoid duplication of effort in certain areas of activity. Her delegation commended the Organization's integrated programmes and would like to cooperate more closely with the Organization to ensure that the projects implemented in Ethiopia were more precisely focused.

52. The establishment of regional offices in developing countries would help to promote industrialization, but should not be allowed to divert resources from national projects. Her delegation was looking forward to the opening of such an office in Addis Ababa. The regional offices would also foster South-South cooperation, which was an important initiative for the promotion of industrial development in the countries in question.

53. She welcomed the Organization's efforts to promote investment and business opportunities in developing countries, which would help such countries

to become self-reliant. She called on the donor community to support those efforts and stressed the importance of allowing them sufficient time to bear fruit.

54. Ethiopia had achieved some positive results in the use of biotechnology and supported the Organization's efforts in that regard, which would require adequate resources in order to be successful. Nonetheless, the utmost care was needed in order to avoid the potential negative impact of such technology. Lastly, her delegation called on Member States to pay their assessed contributions on time as a gesture of commitment to the Organization's work.

55. **Mr. PARKER-ALLOTEY** (Ghana), referring to document IDB.26/7 on the implementation of the medium-term programme framework, 2002-2005, welcomed the information it contained on the Organization's work directed towards strengthening industrial production and institutional capacities. He also welcomed the development of thematic initiatives to provide specialized assistance to developing countries and countries with economies in transition.

56. Developing countries needed to become globally competitive, yet they faced the problems of falling export earnings and soaring import prices. Large trading blocs created barriers to free trade, which resulted in the marginalization of developing countries. In that context, the efforts of UNIDO to help developing countries gain access to international markets were vital, in particular the projects for creating and strengthening local standards, metrology, testing and quality (SMTQ) systems in various regions of the world.

57. A key element of Ghana's new development strategy was the effort to involve the private sector and to attract investment from developed countries. Ghana therefore attached great importance to the special investment forums organized by UNIDO, such as the Cairo Forum which had taken place in April 2002.

58. Job creation and poverty alleviation were essential for developing countries, and in that regard the Organization's technical cooperation activities, particularly those related to SME development, were most welcome. In addition, Ghana wished to benefit from the Organization's assistance to textile industries in sub-Saharan Africa and explore the possibility of further assistance in the leather and wood sectors. South-South cooperation was also being rightly emphasized, and UNIDO should enhance its efforts in that regard, training local consultants to spearhead the industrialization process.

59. He welcomed efforts to develop cleaner production activities, reduce levels of greenhouse gases, improve energy efficiency and increase the use of renewable and alternative sources of energy. Those efforts would contribute to sustainable development and help to conserve the world's natural resources. Lastly, his delegation hoped that the measures adopted for monitoring and evaluating UNIDO field operations would lead to greater decentralization.

60. **Mr. ZARRUK GOMEZ** (Deputy Minister of Economic Development of Colombia) welcomed the efforts of the Secretariat to develop a set of thematic initiatives. That work, and all the new activities developed by UNIDO, should provide a stimulus for the payment of contributions to the regular budget and for a significant increase in the voluntary contributions of donor countries. Colombia saw in UNIDO a valuable partner for the attainment of the goals of cleaner and sustainable industrial development.

61. His Government was drawing up a national development plan focusing on policies and strategies for democratic security, growth and job creation, reducing inequality and improving education and public administration. Protecting democracy and the security of Colombians and foreign investors would assist economic recovery.

62. The conflict in Colombia had become more acute in recent decades. Illegal armed organizations had increased and a comprehensive security policy had become necessary to protect the population, strengthen the presence of the State, where it was weak, regain control over areas influenced by illegal armed groups, defend national sovereignty, combat narcotics trafficking and organized crime and promote justice and social development. The strategy also stressed the protection and promotion of human rights and international humanitarian law, the promotion of harmonious coexistence and values, foreign relations and international cooperation.

63. Colombia's development strategy foresaw a total investment of 108 billion pesos. The aim was to profit from competitive advantages and take into account the growing globalization of markets and the intensification of competition.

64. The integrated programme being implemented by Colombia in cooperation with UNIDO and its three components—strengthening the promotion of investments and technology; improving the quality, competitiveness and operation of Colombian industry; and developing methodologies to improve the competitiveness of small and medium enterprises—had had a significant positive impact on the capacity of Colombia's industrial sector. Those and other projects supported by UNIDO formed part of the Government's development strategy. In particular, Colombia was hoping for participation by donor countries in the

financing of a project for the development of mini production chains in rural areas.

65. Colombia fully supported the process of decentralization of the Organization, with the aim of bringing it closer to realities in the field. That would mean making greater use of local human resources, thus giving countries a feeling of being more closely linked to UNIDO's programmes. He thanked the Secretariat and the GRULAC member countries for their support for the Regional Office established at Bogotá, and appealed for the necessary resources to be assigned to it.

66. **Mr. PAULINICH** (Peru) expressed support for UNIDO's participation in international events and urged it to continue to make its contribution to the themes on the international agenda with initiatives in those areas in which it had comparative advantages. He also expressed support for the thematic initiatives launched by UNIDO in the areas of trade facilitation and rural energy. Peru endorsed the idea that an informal group of Member States should be formed to develop those initiatives, and expressed its desire to participate.

67. With regard to the implementation of the medium-term programme framework, 2002-2005, priority attention should be given to such aspects as the promotion of South-South cooperation, technology foresight activities, development strategies and technologies in agro-industrial sectors, the transfer of technology—particularly agro-related technology and biotechnology—and small and medium enterprises.

68. A related matter was the Global Biotechnology Forum to be held at Concepción, Chile, in December 2003. That event was of particular interest to Peru, with its biodiversity. Biotechnology was one of Peru's national development priorities. Looking to the future, Peru considered that the medium-term programme framework, 2004-2007, should continue along the lines of the medium-term framework, 2002-2005, subject to the adjustments necessary to focus UNIDO's technical cooperation activities on areas in which it could exploit its competitive advantages. His delegation welcomed the informal consultations that were taking place in that regard on the initiative of the delegation of Japan.

69. **Mr. SAVANE** (Minister of State for Industry and Handicrafts of Senegal) said that he had wished to address the session, in the first place, because Senegal was anxious to further enhance its fruitful cooperative relations with UNIDO, which had been centred for the last three years on the integrated programme developed by UNIDO for Senegal.

70. Senegal had expressed its interest in becoming a member of the Industrial Development Board so that other developing countries would benefit from its experience, and hoped that Senegal's candidature would be given favourable consideration. The desirability of an equitable rotation of the seats on the policy-making organs among African countries had been recognized by the African Group.

71. He wished now to comment on the integrated programme in Senegal. During the first phase of the programme, seven components had been targeted, reflecting the different UNIDO service modules. Those were: (a) the development and implementation of a national industrial strategy; (b) the establishment of a national network of industrial information; (c) the development of micro, small and medium enterprises; (d) the development of industrial partnership; (e) the promotion of quality, standardization and metrology; (f) the promotion of a cleaner environment; and (g) the upgrading of industrial enterprises in priority sectors. The funds mobilized to date, thanks to UNIDO, amounted to 3.1 million dollars as compared with a total requirement assessed at 7.8 million dollars, and the average rate of implementation of the programme for all components had attained 40 per cent. He thanked UNIDO and all the donors, particularly Austria, Denmark, the European Union, France, Japan and the United Nations Development Programme (UNDP).

72. The support of the international community for Senegal had permitted the formulation of a new national policy, called the "Policy for Industrial Redeployment 2020". The diagnosis phase and the formulation of the new policy had been made possible by funds allocated by UNIDO under component 1 of the integrated programme. The documents produced had subsequently been endorsed by the Senegalese private sector. The objectives that had been set for the medium and long term were being incorporated in concrete plans of action, which would also be submitted to the private sector for endorsement. He hoped that UNIDO support for component 1 could continue in order to enable Senegal to complete the planning exercise.

73. For the purpose of sharing the Government's vision with all its partners, he had established an ongoing forum designated "Mondays for Industry", the outputs of which were published as booklets. However, lack of financing had led to the suspension of that activity.

74. With regard to the component concerned with the establishment of a national industrial information network, 80 specialists who managed the focal points of the Monitoring Centre for Senegalese Industry had been trained in the course of the previous three years. Five information nodes had also been strengthened for producing and exchanging industrial information. A national seminar on the use of information technology had been organized at Dakar with the help of UNIDO experts. What was needed now was to consolidate what

had been achieved by mobilizing the necessary funds for continuing the programme.

75. Regarding the promotion of micro, small and medium enterprises, the basic components of a support project had begun thanks to Austrian cooperation. For reasons of efficiency and synergy with the national policy for promoting small and medium enterprises, the unit for implementing that project had been located within the management company responsible for the Dakar industrial estate, also under the supervision of the Ministry for Industry and Handicrafts.

76. Turning to the development of industrial partnership, he paid particular tribute to French cooperation, which, for the previous two years, had financed the stationing of a delegate from the Senegalese private sector at the UNIDO Office in France. At the end of his mission, that delegate could be deployed at the Asia-Africa Investment and Technology Promotion Centre in Kuala Lumpur, bringing his experience, expertise and knowledge of the African private sector to that UNIDO Centre, which currently had no human resources from the African continent.

77. The technical support of UNIDO had also enabled Senegal to launch its National Subcontracting and Industrial Partnership Exchange, which was paid for by the dues of its members from Senegalese industry and a subsidy from the Ministry.

78. Those results had been obtained as a result of intense efforts by the local UNIDO representatives, in liaison with the Ministry, to promote the programme among bilateral donors. Assistance had also been received from UNDCP. Further concerted action to mobilize funds was needed.

79. He urged all UNIDO Member States to support the priority accorded by the Director-General to strengthening the process of decentralization. Decentralization would help make UNIDO a credible and efficient institution, the impact of whose programmes would be universally acknowledged. He appealed for voluntary contributions from the industrialized countries and political support from all Member States to back the Director-General's plan to transfer more responsibilities to the field offices, particularly with regard to Africa and the less developed countries, which were the geographical priorities of the UNIDO Business Plan.

80. His second concern in addressing the Board was to stress the need for high priority to be given to the subregional initiatives launched by African ministers of industry within the framework of the African regional economic communities. The African countries were in agreement that, if they wanted programmes that would have a strong impact in the short term, they must unite their forces, as envisaged in the adoption of the New Partnership for African Development. He urged the Director-General of UNIDO to devote particular attention to the implementation of NEPAD's target of diversifying African production and exports. Already, in cooperation with the European Union, UNIDO had been involved in the establishment of a system of accreditation, standardization and quality promotion among the members of the West African Economic and Monetary Union (WAEMU). He urged the expansion of such initiatives and hoped that another ambitious programme relating to the upgrading of WAEMU industries could be launched.

81. The Director-General had expressed his wish to see UNIDO support Africa's subregional initiatives, and the members and secretariat of WAEMU were ready to form a partnership with UNIDO to mobilize funds for upgrading the subregion's industries.

82. In conclusion, he wished to reaffirm Senegal's commitment to UNIDO and thank the Director-General for his untiring efforts to strengthen Africa's productive capacity and promote access to third markets for African manufactured goods.

83. **Mrs. KAYIJIRE** (Secretary-General of the Ministry of Commerce, Industry and Tourism of Rwanda) said that she wished to present the case of Rwanda as an example of a post-conflict economy requiring special assistance, and to discuss experience gained in the implementation of the UNIDO integrated programme for Rwanda.

84. Rwanda was an East African country belonging to the Common Market for Eastern and Southern Africa. The population was estimated at 8.3 million, with an average annual growth rate of 3 per cent, one of the highest in sub-Saharan Africa. Annual income per capita was US$ 250 and 60 per cent of the population lived below the poverty line.

85. The economic development of Rwanda had been badly affected by the 1994 genocide, which had devastated the country. More than a million people had been massacred, and refugees and displaced persons had numbered about 4 million. Most of the socio-economic infrastructure had been destroyed or damaged. The following were some indicators of the macroeconomic situation at the time: the gross national product had fallen by more than half in real terms; per capita gross domestic product (GDP) had dropped from US$ 301 to 228, increasing the percentage of Rwandans living below the poverty line from 58 per cent to more than 70 per cent; gross domestic savings as a percentage of GDP had fallen from 6.2 per cent to -46.8 per cent; the private sector had been destroyed and the level of tax revenues had fallen from 10.1 per cent to 3.7 per cent of

GDP, thus aggravating the budgetary deficit, which had increased from 7.7 per cent to 11.5 per cent of GDP.

86. To rebuild the economy, the Government, in July 1994, had set itself the following main objectives: to restore a stable social and political order; to rehabilitate and consolidate the administration; to repatriate, resettle and reintegrate all refugees and displaced persons; to rehabilitate the production sector, social services and basic infrastructure; to re-establish institutions and to redefine appropriate policies for the management of the national economy. The strategies adopted to achieve those objectives were aimed at: resolving the problems of internal security and issues relating to the right to property and giving equal opportunities to all economic activities; seeking solutions to meet the macroeconomic challenges on the basis of rigorous economic management and support from international organizations and donors; putting in place a macroeconomic framework and a programme of technical assistance to strengthen the capacity for macroeconomic management, reduce inflation, contain the imbalance in the balance of payments and promote economic revival. The accompanying measures that had been introduced related to: regaining control of public finances by introducing budgetary discipline in the management of fiscal administration and the control of public expenditure; increasing public investment through grants and loans for reconstruction and rehabilitation; increasing agricultural production and exports; liberalizing all sectors of the economy, including the exchange rate to permit macroeconomic adjustments and stimulate competitiveness; managing the national debt by consolidating domestic debt and by negotiating debt relief with external creditors; negotiating agreements on structural adjustment with the Bretton Woods institutions.

87. The Government had been able to mobilize external bilateral and multilateral partners for reconstruction and development. Noteworthy results had been achieved. Most of the people in exile in 1994 had been repatriated, basic social services had been restored and a special fund to assist survivors of the genocide had been established. The administrative and economic infrastructure had been rapidly re-established. With regard to good governance, laws had been passed and institutions established to guarantee the proper functioning of public entities and transparency in the conduct of economic and social policy and local administration. The macroeconomic situation had been stabilized. Action had been taken to promote the revival of the private sector, such as the simplification of the legal and regulatory framework, privatization and the creation of new institutions to support the private sector.

88. The industrial sector of Rwanda was modest in scale. Forty per cent of manufacturing establishments were involved in the production of food and beverages. The employment created was 2 per cent of total employment, and the sector contributed 19 per cent to GDP. The major challenges facing the industrial sector were the small size of the domestic market, the weak competitiveness of manufactured products, the lack of basic infrastructure and the shortage of public finance due to the burden of debt servicing. The strategies put in place by the Government to revive the industrial sector had been defined in the general framework of the National Programme for Poverty Reduction. They were aimed at promoting agro-industry, encouraging industry to use more local resources and increase value added, supporting services to industry, focusing efforts on the rehabilitation and improvement of the production apparatus, promoting standardization, strengthening quality management and promoting exports.

89. As part of the efforts to reconstruct and relaunch the industrial sector, on 14 April 1999 UNIDO and the Government of Rwanda had signed a joint communiqué setting up an integrated programme with four components. Under the first of those components, a programme for the rehabilitation and restructuring of Rwandan enterprises had been launched and the Rwanda Bureau of Standards set up. Under the second, a Rwanda SME Support Centre (CAPMER), involving the private and public sectors and also a number of international organizations, including non-governmental organizations, had been established. Under the third component, an industrial policy had been formulated to take account of the current economic situation, and a data bank on industrial production established. Lastly, UNIDO had provided support for a government project to construct small hydroelectric power stations in rural areas. Some 259 sites, with a potential capacity of 20 megawatts, had already been identified, and a project document submitted to GEF.

90. Rwanda was faced with challenges unique in Africa: the legacy of the 1994 genocide remained, and 90 per cent of the population subsisted on agriculture. Promotion and development of micro, small and medium-sized enterprises for the processing of raw materials was one way of creating jobs and income. In line with Vision 2020, the Government's objective was to reduce the proportion of the population living below the poverty line from 60 per cent to below 25 per cent. Yet, given Rwanda's narrow resource base and budget and balance-of-payments deficits, further support from the development partners and donors would be necessary if that goal was to be fulfilled. Accordingly, she called on the donor countries to support implementation of the integrated programme, with a view to ensuring sustainable economic development in Rwanda.

91. Her delegation welcomed the success of the reforms undertaken by UNIDO, while expressing the hope that programmes currently under way would have tangible results in the field. She wished to thank all

those donor countries that had supported integrated programmes for industrial development in developing countries, including her own; and, in particular, the Director-General for his visit to Rwanda in January 2002. Rwanda was grateful to all concerned for their continuing efforts to strengthen its industrial production capacity in the wake of the recent conflict.

92. **Mr. SAHINBAS** (Turkey), speaking on agenda item 3 (a) commended UNIDO's endeavours to contribute to the World Summit on Sustainable Development (WSSD) in areas where it enjoyed comparative advantage, such as the formulation of initiatives for "Type 2" outcomes in the fields of energy for sustainable development and technology transfer. Enhanced international cooperation was needed to bring energy services to the poor in rural areas. His delegation thus welcomed the positive response to that initiative, and requested information on progress made in establishing a UNIDO trust fund for rural energy development. Developing countries needed to acquire the technologies that would help them achieve their development targets. Accordingly, UNIDO should pursue its efforts in the area of technology transfer, seeking to create a synergy between the technology transfer initiative and its technology foresight activities. UNIDO's participation in major international events was to be welcomed, not only as an opportunity to share and disseminate its experience, but also as enhancing its visibility and profile in the United Nations system and development assistance circles.

93. On item 3 (b), Turkey was of the view that to maintain the effectiveness of any business plan it was important periodically to assess the outcome of activities carried out, in order to make performance-improving adjustments and reorient activities so as to tackle the challenges resulting from a changing economic environment. It shared the view that a vibrant and competitive SME sector was crucial for sustainable development and for the regional and local economic growth that would result in poverty alleviation. Accordingly, Turkey hoped that the regional project to promote SMEs in Azerbaijan, Kyrgyzstan and Uzbekistan would achieve tangible results. In that context, it was encouraging to note that the Business Advisory Centre in Tashkent and the Business Investment Promotion Unit in Bishkek had become operational. The project document should be revised to include the proposed support for the State programme to develop SMEs in Azerbaijan.

94. Turkey acknowledged the importance of the technology foresight programme, and proposed to host a meeting on the theme of "Development of national and regional capabilities" in 2003. That theme would be of the utmost importance for the countries of the region, including member countries of the Black Sea Economic Cooperation Pact, and would make a significant contribution to those countries' national technology foresight programmes. Turkey was looking forward to working with the Secretariat on the finalization of preparations for that meeting.

95. Agro-industries constituted the central sectoral priority of the Business Plan. In January 2002 Turkey had hosted and co-financed an International Workshop and Study Tour in the Field of Agro-Industries in which representatives from nine countries with ongoing integrated programmes had participated. Turkey would welcome the opportunity to cooperate with UNIDO on other similar projects, and was looking forward to the endorsement by UNIDO of the project document, which would enable it to transfer the necessary funding to the Industrial Development Fund as a special-purpose contribution, so that the second workshop could take place before the end of 2002. His Government was willing to support UNIDO integrated programmes in the coming years, on the basis of cost-sharing as in the case of the previous workshop.

96. Turkey noted with satisfaction that UNIDO continued to attach high priority to supporting sustainable industrial development in accordance with international instruments and conventions on environment protection. As a signatory of the Stockholm Convention on Persistent Organic Pollutants (POPs), Turkey had designated UNIDO as the GEF implementing agency to oversee implementation of POP-related activities in Turkey. A draft project proposal on such activities had been submitted to UNIDO for GEF endorsement.

97. Over the past 10 years, as an implementing agency of the Montreal Protocol, UNIDO had made a significant contribution to the phasing out of ozone-depleting substances, and had also been given responsibility for a country-wide methyl bromide phase-out project in Turkey. In that regard, it was gratifying to note that UNIDO had received an overall assessment of 99 per cent for its performance against its investment project targets.

98. On item 3 (c), he noted that the potential of biotechnology for eliminating poverty and improving the quality of life made it especially important for the developing countries. Nonetheless, the main users of biotechnology remained the developed countries and knowledge-based economies. The Global Biotech-nology Forum could provide a valuable opportunity to exchange views on that critical issue.

99. As to item 4, technical cooperation should remain at the core of UNIDO's activities to reduce poverty through sustainable industrial development. The Organization's efforts to focus its technical cooperation activities and consolidate the range of services it offered into service modules were thus to be welcomed.

Nevertheless, the success of its technical cooperation activities would largely depend on its ability to adjust to changing demands by taking into account its comparative advantage and accumulated expertise. The thematic initiatives referred to in paragraph 10 of document IDB.26/8 could provide tangible benefits and specialized assistance to developing countries, provided that they were carefully evaluated in terms of resource constraints, feasibility and the principle of comparative advantage.

100. Lastly, Turkey welcomed the proposal from Japan for strategic guidelines aimed at improving UNIDO's programme delivery. That initiative could provide an opportunity to address the need for increased efficiency and effectiveness in UNIDO's activities, and to improve the Organization's capacity to address changing global economic needs.

101. **Mr. MARQUEZ MARIN** (Venezuela) said that UNIDO's efforts to promote sustainable industrial development in developing countries should also focus on those countries—many of them in Latin America—that had attained moderate development and that were currently in the grip of economic recession owing to factors such as low productivity, undue emphasis on the production of raw materials in an increasingly competitive market, tariff barriers and local subsidies. Venezuela was confident that, under the leadership of the Director-General, UNIDO would continue to play an important role in promoting sustainable development in his country and in the region as a whole.

102. His Government was initiating a series of economic reforms aimed at promoting a productive, diversified and competitive economy through the development of SMEs. UNIDO had undertaken to support strategic projects in such areas as technology parks and enterprise incubators, investment promotion, etc. Timely implementation of that cooperation programme would consolidate the relationship between UNIDO and Venezuela, which—it bore noting—had received little direct economic support from UNIDO over the past decade, in spite of its continuing support for the Organization, which it had selected as implementing agency for programmes and projects under the Montreal and Stockholm Protocols. Against that background, the recent signature of agreements between UNIDO and Venezuelan institutions was particularly welcome.

103. Lastly, Venezuela supported the strategy paper proposed by Japan and, given Venezuela's rich biodiversity, which constituted an invaluable resource for sustainable development, would participate actively in the Global Biotechnology Forum.

104. **Mr. FABIJANSKI** (Observer for Poland) said that his delegation was of the view that the medium-term programme framework, 2002-2005, was in line with the Business Plan and the integrated services, reflected UNIDO's dual role as a global forum and a provider of specialized technical cooperation and clearly defined the substance of UNIDO's actions and the regional and country focus of its interests. Nevertheless, his delegation welcomed the initiative taken by Japan aimed at further improving the efficiency and effectiveness of UNIDO's activities under the medium-term programme frameworks. It supported the conceptual premisses and guiding principles set forth in section I of document IDB.26/15, which highlighted the need for new approaches and strategies in order to make industry a more dynamic instrument for growth. Sections II and III of the document outlined the way forward for UNIDO activities in the years to come, against the background of a changing world environment. His delegation therefore urged the Board to endorse the proposed guidelines and the draft decision in that regard submitted by the delegation of Japan.

105. **Mr. CABAÑAS RODRIGUEZ** (Cuba) said that UNIDO's presence at such important international events as the International Conference on Financing for Development and WSSD promoted international cooperation and working relations between UNIDO and other agencies of the United Nations system. The Global Biotechnology Forum to be held at Concepción, Chile, in 2003 would be a unique opportunity for UNIDO to support developing countries in an important area for sustainable development, by identifying priorities, needs and opportunities, particularly in the agro-industry and food processing sector. Cuba wholeheartedly supported that initiative. It also supported the implementation of the medium-term programme framework, 2002-2005, and hoped that the medium-term programme framework for 2004-2007 would maintain broad continuity with the current framework. In that regard, Japan's proposal for strategic guidelines for the medium-term programme frameworks was of great value, and he was grateful to the delegation of Japan for its receptiveness to other delegations' ideas on the question. Cuba also supported the Secretariat proposal concerning new thematic initiatives, which it saw as a useful package of which countries could take due account in the light of their individual needs and interests.

106. **Mr. LAL** (India) said India took note of UNIDO's participation in and contribution to WSSD, as described in document IDB.26/12, and of the Organization's initiatives on rural energy for productive use and on technology transfer. Such focused participation in major international events should enhance UNIDO's profile, promote cooperation within

the United Nations system and mobilize additional funds for cleaner and sustainable development projects in areas where UNIDO had comparative advantage.

107. India reiterated its support for the medium-term programme framework, 2002-2005, and stressed the essential role of UNIDO in building industrial capacities aimed at facilitating competitiveness, market access and poverty reduction. In that regard, it took note of the report by the Director-General on implementation of the medium-term programme framework, 2002-2005, including field representation and technology foresight (IDB.26/7), and welcomed the thematic initiatives launched earlier in 2002 at Monterrey and Johannesburg, which would be incorporated in the integrated programmes and country service frameworks. Closer cooperation with financial institutions was needed in order to address the credit requirements for the investment opportunities generated by UNIDO programmes. The medium-term programme framework for 2004-2007 should continue the work on the new initiatives.

108. In an era of globalization, UNIDO had an important role to play in capacity-building and technology promotion for SMEs. Delivery of technical cooperation services must be made more effective and relevant, through a field presence, decentralization and local participation in programmes. Periodic monitoring would be necessary to ensure that cost and time overruns were minimized. Information on the progress of projects must be shared with the stakeholders without delay, so as to ensure maximum impact.

109. On item 4, his delegation noted the proposals contained in document IDB.26/8, and welcomed the initiative of Japan concerning strategic guidelines. It was to be hoped that the Board would adopt the draft decision submitted by Japan on that subject, thus paving the way for focused implementation of the Business Plan.

110. The country service framework programme for India signed in 2001, which aimed at maximizing the developmental impact of UNIDO's activities through enhanced synergy between UNIDO, the Government and other agencies, had four major components: strengthening SME competitiveness through technology-led interventions; promoting foreign direct investment; promoting cleaner and environmentally friendly technologies and policies; and promoting industrial growth in less developed areas. Its implementation was expected to lead to an enhanced presence of UNIDO in areas and regions that had hitherto not benefited from such programmes.

111. His delegation drew attention to the need to shorten the project preparation cycle, perhaps through the establishment of a set of project concepts for use in formulation of detailed proposals. It also called for greater decentralization of responsibilities at the field level. The field offices needed to have a greater role in the formulation and implementation of projects and in their follow-up. Increased delegation of authority to the field offices would allow quicker response to the specific requirements of Member States and result in closer integration of projects.

112. His Government had recently agreed to support a project aimed at strengthening the capabilities of the member countries of the South Asian Association for Regional Cooperation (SAARC) in the areas of standards, metrology, testing and quality systems. It had also approved the operational phase of the International Centre for Advancement in Manufacturing and Technology (ICAMT), one of the seven international technology centres operating under the aegis of UNIDO. A number of sectoral projects had been undertaken to promote the competitiveness of industrial sectors and to provide low-cost housing and technology in Africa. The Centre's activities needed to be more closely integrated with other UNIDO programmes if it was to play a pivotal role in dissemination and transfer of manufacturing technologies.

113. On the basis of positive feedback concerning the pilot phase, the second phase of UNIDO's public-private partnership programme in the automotive component sector had been launched. Its aim was to strengthen supply chain management in the sector so as to enable domestic enterprises to become globally competitive. The programme included in-built mechanisms for periodic monitoring as well as concurrent and post-project evaluation.

114. His delegation remained committed to supporting UNIDO's objective of strengthening industrial capacities to ensure cleaner and sustainable development. In the context of the continuing globalization and integration of world trade, UNIDO had an important role to play in helping less developed countries and developing countries to upgrade skills and industrial capacities in order to join the mainstream of global industrial development. UNIDO should place still greater focus on results-based approaches to its objectives, programming and management, and should endeavour to strengthen its systems for qualitative and quantitative performance measurement.

The meeting rose at 1.20 p.m.

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Twenty-sixth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 November 2002, at 3 p.m.

President: Mr. HORVATH (Hungary)

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The meeting was called to order at 3.15 p.m.

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.26/CRP.4 and CRP.5)

(a) UNIDO PARTICIPATION IN MAJOR INTERNATIONAL EVENTS (*continued*) (IDB.26/12 and Corr.1)

(b) IMPLEMENTATION OF MEDIUM-TERM PLAN PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (*continued*) (IDB.26/7 and Corr.1 and IDB.26/15)

(c) GLOBAL BIOTECHNOLOGY FORUM (*continued*) (IDB.26/10)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.26/8 and IDB.26/15)

1. **Mr. DRESCHER** (Germany) said that, as the second-largest contributor to UNIDO's regular budget, Germany had always supported UNIDO and was committed to doing so in the years to come. It commended the strict implementation of the 1997 Business Plan on the Role and Functions of UNIDO and the achievement of turning UNIDO into an efficient and focused organization. The Business Plan was based on three core principles: an optimized organizational structure committed to the concept of lean management; a clear thematic focus on a limited number of key areas; and the introduction of the integrated programmes as the main mode of delivery of UNIDO's technical assistance. Far from being something static, it gave UNIDO the flexibility to reset priorities and adjust its programmes, through the medium-term programme frameworks, so as to match demand from developing countries. However, the core principles of the Business Plan must be strictly adhered to. In that regard, the strategic guidelines for the medium-term programme frameworks initiated by Japan and jointly finalized by Member States confirmed those core principles and constituted a valuable contribution to the efficient implementation of UNIDO's mandate.

2. While welcoming the expected increase in the operational budget for 2002 to US$ 90 million, and acknowledging UNIDO's efforts to mobilize additional funds, Germany considered the amount small in comparison with the annual regular budget of about 67 million euros. Moreover, the fact that voluntary contributions were to a large extent earmarked for specific programmes and projects left very little room to finance new initiatives. Consequently, UNIDO should further narrow the focus of its technical assistance activities, in line with the limited financial resources available, and the Secretariat should take a proactive role in identifying areas of lesser significance. The next medium-term programme framework should be prepared with that overall aim in mind. Furthermore, new activities should be planned and new initiatives embarked on only if sufficient funds could be mobilized to secure their implementation. In that regard, Germany was concerned at the numerous new initiatives proposed by UNIDO. It trusted that activities linked with those initiatives would take place in the framework of integrated programmes, with no deviation from the current medium-term programme framework. Given that implementation of many integrated programmes was hampered by resource constraints, he assumed that no funds would be diverted from the integrated programmes to finance the new initiatives.

3. Lastly, given that the introduction of the integrated programmes as the main mode of delivery of UNIDO's technical assistance was the most visible expression of its efforts to increase the efficiency and efficacy of its technical assistance, UNIDO should undertake, in close cooperation with Member States, a thorough, independent evaluation of the integrated programmes in order to measure their impact and determine whether they had had the intended effect.

4. **Mr. MAHMOOD** (Nigeria) said that his delegation fully supported Programme and Budget Committee conclusion 2002/5 on mobilization of financial resources for UNIDO programmes (IDB.26/13, para. 18). It had hoped that, following the successful reorganization of UNIDO, more funds would be available for the implementation of technical cooperation activities. It therefore called on Member States and donors to increase their voluntary contributions, especially to the Industrial Development Fund. Sharing the view that mobilization of funds was the joint responsibility of UNIDO and Member States, Nigeria urged the latter to facilitate access to funds available from bilateral sources to finance implementation of the integrated programmes. Noting that, in spite of the increased rate of collection of assessed contributions, many countries continued to have the voting rights of 53 Member States were suspended, it urged all Member States to pay their assessed contributions in full and on time, and to utilize the payment plan mechanism to settle any arrears.

5. Nigeria welcomed UNIDO's involvement in major international conferences as a means of enhancing the Organization's image. Noting UNIDO's participation in the Monterrey International Conference on Financing for Development and the Johannesburg World Summit on Sustainable Development (WSSD), as well as the plans for its participation in the Global Biotechnology Forum to be held in Chile in 2003, it urged the Secretariat to follow up those meetings and

dovetail them into the necessary technical cooperation activities. Such initiatives were particularly auspicious now that a new round of multilateral trade negotiations was imminent. While economic reforms, including privatization and market liberalization, were necessary for economic growth, developing countries continued to suffer from the unfair dumping of products on their markets. As a result of those activities, over 70 per cent of Nigeria's textile mills had ceased production since 1997, with a loss of over 70,000 jobs; about 45 per cent of its tanneries had closed down, and the remaining 55 per cent operated at less than 40 per cent of capacity. UNIDO should take account of those issues when articulating its position at the new round of multilateral trade negotiations.

6. The Nigerian Government had completed arrangements to credit the country service framework (CSF) trust fund with an additional sum of US$ 2.754 million in the near future. Nonetheless, it was concerned that implementation of the CSF could be hampered by lack of resources: two years into the implementation of the five-year programme, his Government had made available 65 per cent of its financial commitment and UNIDO had already fulfilled all its commitments to the programme, yet less than 10 per cent of the US$ 5.7 million expected to be mobilized from donor countries and agencies had been realized. Nevertheless, Nigeria would continue to participate in the tripartite arrangements for funds mobilization.

7. **Mr. SHARAF** (Observer for Yemen) said that his delegation supported the medium-term programme frameworks and also Japan's proposal for strategic guidelines (IDB.26/15). An enhanced role for UNIDO depended on increased technical cooperation resources, which, unfortunately, had dwindled by almost 50 per cent in recent years, with adverse effects on industrial development in the developing countries and in the least developed countries (LDCs), of which his country was one. His delegation hoped that the UNIDO leadership would do its best to avoid any further cutbacks in technical cooperation programmes, and called upon donor countries and organizations to increase their financial contribution to such programmes.

8. Following the successful conclusion of a donor conference on economic and social development projects organized by the World Bank in Paris in October 2002, Yemen had been granted US$ 2.3 billion to support its development programme, in recognition of its successful implementation of economic, financial and social reforms over the past seven years. That conference had been preceded by a workshop held in Sanaa and attended by UNIDO experts, dealing with the programme to support industrial and institutional capacity-building and the private sector, with a view to mobilizing resources for UNIDO's integrated programme in Yemen. In the wake of the Paris donors' conference, the Yemeni mission in Vienna, in cooperation with UNIDO's Arab Bureau, was organizing meetings with the Vienna-based multilateral donors in order to identify steps to be taken to implement the programme. In concluding, he called on donor countries and regional and international organizations to honour the commitments they had made at the Paris conference and to increase their contribution to the economic, social and industrial reform programme in Yemen.

9. **Mr. TAKASU** (Japan) said that UNIDO must contribute actively to achievement of the Millennium Declaration Goals in areas where its advantages could be most beneficial. UNIDO's participation in WSSD and its preparatory process, and in the Monterrey Conference, had helped the Organization to enhance its visibility and increased recognition of its role in the promotion of sustainable development. At WSSD, Japan had presented a concept of "global sharing" of experience and information so as to achieve development goals while protecting the environment. UNIDO could make significant contributions to sustainable development by offering the international community examples of good practice through its technical cooperation activities.

10. With a view to maintaining the momentum established by WSSD, in March 2003 Japan would be hosting a ministerial conference on the occasion of the third World Water Forum. The conference would reaffirm the political will to solve water issues and help identify concrete steps for improving water resource management. An invitation to attend the ministerial conference had already been extended to UNIDO, which could make a valuable contribution to the proceedings, drawing on its experience and expertise in the areas of integrated assessment, management and governance in river basins, coastal zones and large marine ecosystems, elimination of persistent organic pollutants and other toxic substances from manufacturing and gold extraction processes, and waste management.

11. **Mr. MOTTAGHI NEJAD** (Islamic Republic of Iran) welcomed the participation of UNIDO in major international events such as the Monterrey Conference and WSSD, as a means of upgrading UNIDO's international image. However, on the related issue of global forum activities, further analysis was needed of industrial trends and strategies. UNIDO should continue efforts to enhance its profile, responding to the national priorities of recipient countries and concentrating on technical cooperation activities in areas where it enjoyed comparative advantage.

12. His delegation commended the efforts of the delegation of Japan to collate the views of Member States with regard to the proposed strategic guidelines.

For the implementation of the guidelines, further financial resources would be necessary in order to consolidate the outcome of the lengthy negotiations among Member States. His delegation also attached great importance to the Global Biotechnology Forum, which could achieve tangible results by focusing on mechanisms to facilitate technology development and transfer.

13. South-South cooperation had gained recognition as an innovative and effective instrument of technical cooperation. Despite high demand, the extent of such cooperation was still very limited. Further strengthening of the existing field offices could assist in raising the level of cooperation among recipient countries, as a means of ensuring their effective integration into the world economy. Lastly, regarding the implementation of the medium-term programme framework, 2002-2005, his delegation was of the view that the restructuring of UNIDO, with all the substantive areas involved in developing technical cooperation programmes merged in a single Division, could improve UNIDO's delivery and technical capacity.

14. **Mr. MOKADADER** (Morocco) welcomed UNIDO's participation in major international events, which was enhancing its visibility. UNIDO was now compelling recognition as a world organization working to lay the foundations for sustainable development in the developing countries. However, it must strengthen its role as coordinating agency within the United Nations system in the field of industrial development and consolidate its cooperation with other international organizations working in the fields of poverty elimination, environment protection and technology transfer through projects to create jobs and promote competitiveness.

15. His delegation noted with interest the initiatives taken to implement the medium-term programme framework, 2002-2005, and welcomed the efforts made to promote investment and technology transfer and to develop interregional cooperation. UNIDO's focus on the involvement of small and medium enterprises (SMEs) in the implementation of its overall policy was especially to be welcomed, as was the decision to promote technology transfer in the fields of information technology, communications and biotechnology. Morocco joined other delegations in urging the Organization to continue its policies directed towards reducing greenhouse gas emissions and to promote more rational use of energy through increased recourse to renewable energy sources and substitution.

16. His delegation also welcomed the note by the Secretariat on the Global Biotechnology Forum (IDB.26/10): reduced budgets and opposition in donor countries should not cause biotechnology to be given lower priority. The Forum would offer UNIDO an opportunity to demonstrate that biotechnology could contribute to sustainable development, improve well-being and ensure environmental security, and it was to be hoped that all Member States would participate in the proceedings.

17. His delegation noted with satisfaction that the proposed medium-term programme framework, 2004-2007, would maintain broad continuity with the previous programme framework and reflect the objectives and priorities laid down in the Business Plan (IDB.26/8, para. 6). Morocco had participated in the consideration by Member States of the strategic guidelines proposed by the Government of Japan, and commended Japan for its unflagging interest in promoting UNIDO. While welcoming the fact that the proposals by Japan had, by and large, been well received by Member States and by the Secretariat, which had deemed them compatible with its medium- and long-term strategy, his delegation very much hoped that the proposals would not result in a reduction in Japan's financial contribution to UNIDO.

18. **Mr. BELLO BOUBA** (State Minister of Cameroon for Industrial and Commercial Development, President-in-Office of the Conference of African Ministers of Industry (CAMI)) said that CAMI was a unique continent-wide industrial partnership and cooperation mechanism for Africa. At its fifteenth session, in October 2001, it had been decided, inter alia, to give the Conference permanent status, to involve CAMI in the implementation of the objectives of the New Partnership for Africa's Development (NEPAD) and to convene subregional meetings. The first of those objectives aimed at establishing a single apparatus combining the tasks CAMI and of the Alliance for Africa's Industrialization (AAI), with an independent secretariat supported by UNIDO, the African Union and the Economic Commission for Africa (ECA). CAMI's involvement in NEPAD would take the form of implementation of subregional industrial cooperation programmes drawn up at subregional meetings. The meeting for the Eastern African region had been held at Arusha, Tanzania, from 24 to 25 October 2002. The timetable for the other subregional meetings would be decided at a second meeting of the Bureau of CAMI to be held in the Vienna International Centre the following day, to which he invited the many African ministers present. On a proposal by the Director-General of UNIDO, the fifteenth session of CAMI had agreed that, in future, meetings to identify appropriate sectors for the promotion of subregional and regional cooperation in Africa would be held in the run-up to sessions of the Conference.

19. Africa's annual per capita income was very low and the continent contributed less than 1 per cent to world manufacturing value added. Measures must now be taken to rectify that situation. For too long industry

had been the poor relation of Africa's economic policies, with structural adjustment policies placing undue emphasis on balanced budgets and monetary policy. It was now universally recognized that industry had a key role to play in the new global economy of liberalized markets, in which Africa would need to offer goods and services on the same footing as other nations.

20. That day, 20 November 2002, was also marked by the celebration of the thirteenth African Industrialization Day. The theme selected for 2002 was "The Industrialization of Africa and the New Information and Communication Technologies (ICT)". The challenge for Africa was to increase access to ICT; with 12 per cent of the world's population, Africa accounted at present for just under 2 per cent of the world telephonic network.

21. Africa also needed low-cost, environmentally friendly energy sources in order to develop its industry. Regional and subregional cooperation programmes were necessary and, at the national level, integrated programmes. UNIDO had so far helped in the drafting of some 20 integrated programmes. He called on the international community to support implementation of the integrated programmes in fields such as agro-industry, SMEs, investment and technology promotion, quality promotion and environmentally sustainable industrial development, all of which had begun to have a positive impact on the industrialization of African countries, particularly the LDCs.

22. Regarding new industrial development strategies, African countries had already adopted policies to promote private investment, improving the physical and institutional infrastructure, encouraging free markets and public/private sector partnerships and promoting good governance. The new CAMI, with support from UNIDO, would work to implement the subregional industrial cooperation programmes currently being formulated, with a view to integrating Africa into the global market.

23. In conclusion, he wished to say a word about the widespread perception of Africa as a continent at risk. Without denying that Africa had its share of difficulties, he wished to highlight its wealth of raw materials, its increasingly abundant supply of skilled, low-cost labour, and the efforts made by African countries to ensure good governance—all factors guaranteeing potential investors among the world's highest rates of return on their investment. With support and assistance from its international partners, CAMI could play a crucial role in the industrialization of Africa.

24. **Mr. HENDAOUI** (Tunisia), referring to the medium-term programme framework, 2004-2007 (agenda item 4), said that, in response to General Conference resolution GC.9/Res.2, UNIDO was seeking to adjust the content and delivery of its services to the needs of a rapidly changing world economic environment. The new medium-term programme framework would have to take account of those adjustments, while ensuring continuity with the previous programme framework and maintaining the objectives and priorities set forth in the 1997 Business Plan. Against that background, his delegation welcomed Japan's initiative calling for the drawing up of strategic guidelines to improve UNIDO's technical cooperation activities. His delegation was pleased to note that the concerns and comments voiced in intersessional consultations were well reflected in document IDB.26/15. The relevance of a medium-term programme framework depended on well-targeted areas for technical cooperation, a broad base for financing of programmes and effective evaluation of activities.

25. His delegation welcomed the importance accorded in document IDB.26/15 to pursuing a geographical, sectoral and thematic concentration of UNIDO's activities by giving added emphasis to provision of services to LDCs, in particular in Africa, with special attention to developing SMEs and agro-based industries. It also welcomed the emphasis on broadening UNIDO's financial base and establishing innovative mechanisms to mobilize funds. In that regard, his Government attached great importance to the mobilization of multilateral funds, inter alia in the context of implementation of the Montreal Protocol, the Kyoto Protocol and the Global Environment Facility (GEF), and welcomed the emphasis placed on improving evaluation of UNIDO activities so as to establish a clearer link between the actions conducted and the objectives pursued, by adapting the Organization's technical cooperation services where appropriate.

26. **Mr. KIM Chang-mo** (Republic of Korea) commended the Director-General and his staff on the proposals for the medium-term programme framework, 2004-2007, which provided a smooth transition from the previous programme framework while maintaining continuity with it. His delegation particularly welcomed the new thematic initiatives designed to enhance the relevance and focus of UNIDO programmes. It also supported Japan's initiative concerning strategic guidelines aimed at further improving the effectiveness and efficiency of implementation of the medium-term programme framework. His delegation hoped that the next medium-term programme framework would combine the ideas and suggestions set forth in the Director-General's proposal with those outlined in the strategy paper (IDB.26/15), so as to optimize results from UNIDO's programmes and services.

27. **Mr. SRIWIDJAJA** (Indonesia) welcomed UNIDO's active participation in major international events such as the Monterrey Conference and WSSD. Such participation should involve strategic and

action-oriented project-related research. It could also be expected to enhance UNIDO's profile as an international organization. His delegation applauded the specific UNIDO initiatives launched during those events, such as the Trust Fund for Trade Facilitation, and initiatives on rural energy for productive use and on technology transfer. Such initiatives were essential in order to increase sources of funds and fund mobilization to support the implementation of technical cooperation activities.

28. On agenda item 3 (b), his delegation hoped that the programmes and activities implemented within the medium-term programme framework, 2002-2005, could be maintained and strengthened with a view to improving UNIDO's service delivery. It shared UNIDO's view of the importance of SMEs and their role in reducing poverty, and commended UNIDO's implementation of a policy to take into account the special needs of the SMEs. It considered that the SME cluster and network development programme and the projected global training programme for cluster and network development functions were of the utmost importance, as enabling SMEs collectively to branch out and compete in the international arena. Given that the SME sector accounted for roughly 80 per cent of developing countries' economies, it must continue to be accorded priority, so as directly to contribute to poverty eradication through sustainable industrial development. Furthermore, in the light of the current global agenda for combating terrorism through combating poverty, support for that highly productive sector of the economy might well be an area where the interests of developing countries and donors coincided.

29. His delegation wished also to commend UNIDO for its plan to extend technology foresight activities to other regions, particularly Asia. The programme should be tailor-made, and should allow for the employment of local experts to secure smooth follow-up and ensure that technology foresight did not become a one-off project. Since, as a new thematic issue, the initiative might fail to attract sufficient interest on the part of donors, joint efforts to secure funding should be strengthened.

30. On agenda item 4, his delegation welcomed the proposal that the medium-term programme framework, 2004-2007, should maintain broad continuity with the previous programme framework and continue to adhere to the objectives and priorities set out in the 1997 Business Plan. The new programme framework should make UNIDO more responsive to the changing requirements of its client countries and to the new realities of the changing global economic environment, a need that should be reflected in a demand-led approach to its formulation. His delegation was also pleased to note the progress made during the informal consultations concerning the strategic guidelines proposed by the Government of Japan, and wished to commend the Japanese delegation and other delegations for their efforts to finalize that important draft document.

31. **Mr. MANALO** (Philippines), commending the smooth implementation of the medium-term programme framework, 2002-2005, encouraged the Organization to make every effort to achieve the service delivery target for the current biennium. He also welcomed the initiatives launched by UNIDO at the Monterrey Conference and WSSD. That proactive approach enhanced the standing of UNIDO in the international community and also helped to attract new resources for the Organization's programmes. For example, a dedicated trust fund had been established as a result of the initiative on international trade participation launched at Monterrey. His delegation thanked the Government of Austria for being the first to contribute to the trust fund and encouraged other donors to do likewise. New thematic initiatives, such as the one on biotechnology, and the Global Biotechnology Forum to be held in 2003 were also important for the mobilization of new resources. His delegation welcomed the offer of the Government of Chile to host the Forum.

32. His delegation agreed with the Director-General's view that the medium-term programme framework, 2004-2007, should not diverge greatly from the 2002-2005 framework. The various proposals for the formulation of the new framework were welcome, but they should conform to the principles set out in the Business Plan. He commended the delegation of Japan for its work in drawing up strategic guidelines for the medium-term programme frameworks (IDB.26/15) and for incorporating the views of all Member States in the document. He encouraged the Secretariat to give due consideration to the guidelines in the planning of the Organization's future activities.

33. **Mr. MORENO** (Italy), welcoming the documents on the medium-term programme frameworks submitted to the Board and the strategy paper prepared by Japan (IDB.26/15), said that in September 2000 there had been a successful visit of permanent representatives in Vienna to the centres operating within the "Trieste System". Those centres worked in the field of technology transfer for the benefit of countries in Central and Eastern Europe and the least developed countries, and they dealt with many issues raised in the documents before the Board. For example, the International Centre for Science and High Technology (ICS) had expertise in technology foresight. A meeting to follow up the Trieste visit had recently been held in Vienna, where ICS had presented further information about a number of projects that had generated particular interest during the visit. Those projects could contribute to the transfer of advanced technologies and scientific knowledge in the context of specific UNIDO activities.

34. The International Centre for Genetic Engineering and Biotechnology (ICGEB), also in Trieste, was a multilateral institution which had originated as a UNIDO project and was now an autonomous intergovernmental organization. It specialized in research and training in biotechnology. In 1996, a cooperation agreement between ICGEB and UNIDO had been concluded, under which ICGEB was regarded as the implementing agency for UNIDO activities related to the technical and scientific aspects of biotechnology. The relationship between the two organizations therefore had the potential to deliver substantial benefits to developing countries. However, in practice, cooperation had never fully developed, and in the past year UNIDO had increased its activity in the field of biotechnology without the involvement of ICGEB. That lack of cooperation could result in a duplication of work.

35. His delegation suggested that ICGEB should participate in the International Organizing Committee responsible for planning the Global Biotechnology Forum which was due to take place in December 2003. That event would provide an excellent opportunity to discuss the safe use of biotechnology and the benefits to be derived from industrial applications of biotechnology. ICGEB could be responsible for scientific and technological follow-up to the Forum, while UNIDO could benefit from the experience of ICGEB in analysing the needs of the least developed countries, providing training for scientists from the developing world and implementing technology transfer.

36. **Ms. UDVARHELYI** (Hungary) welcomed the restructuring of the Secretariat, including the appointment of the new Managing Directors, which had contributed to the stability of the Organization. Her delegation encouraged the Director-General to continue his efforts to consolidate that stability and to focus on improving the Organization's technical cooperation delivery.

37. The Government of Hungary attached great importance to the promotion of technology transfer, a major area of the current medium-term programme framework, as demonstrated by the assistance which her country, in cooperation with UNIDO, had provided to Nigeria and Malawi for projects to establish regional technology transfer centres in sub-Saharan countries. Those projects had shown that such assistance could be effective only if the recipient country had a clear vision of its future technological development. Her delegation therefore welcomed the new thematic initiative on technology foresight, the focus of which should be to promote the application of technology foresight in low-income countries. The Government of Hungary was willing to share the experience it had gained from the Regional Programme on Technology Foresight for Central and Eastern Europe and the Newly Independent States. The Technology Foresight Summit to be held in Budapest in 2003 would provide an excellent opportunity to do so.

38. Her delegation welcomed the other innovative thematic initiatives put forward by the Secretariat, many of which would contribute to the implementation of the current medium-term programme framework. She also commended the strategic guidelines prepared by the delegation of Japan (IDB.26/15), which would undoubtedly help to improve technical cooperation delivery.

39. **Ms. RAMIS-PLUM** (France) welcomed the continuing improvement in the financial situation of UNIDO and the recent restructuring of the Secretariat, both of which had helped to stabilize the Organization and enhance its image. Her delegation commended in particular the process of decentralization, since it was vital for UNIDO officials to complete a period in the field, rather than spending their entire careers at Headquarters. The development of regional offices, and the fact that an increasing number of technical services were being provided on a regional basis, meant that staff would need to be highly skilled and committed to promoting development in the world's poorest countries. In addition, greater cooperation among the different branches of the Secretariat would be required in order to develop new initiatives. She welcomed the strategic guidelines proposed in document IDB.26/15 and thanked the delegation of Japan for coordinating the preparation of the document.

40. Her delegation attached great importance to the Global Biotechnology Forum, in which a number of French businesses had already expressed their interest. It was to be hoped that the Forum would result in concrete proposals which could be discussed by the Organization's governing bodies with a view to deciding on precise action. Broad themes had been chosen for the Forum in the hope that coordinated results could be achieved across the whole United Nations family.

41. It should, however, be remembered that there were unresolved questions concerning national laws with regard to biotechnology. In France, for example, the laws on ethics and patentability were due to be revised in 2003. Common positions on such issues were currently being developed at the European level and also in the context of the World Trade Organization (WTO). At the same time, the public debate in France about the cultivation of genetically modified organisms was far from reaching a conclusion. Those points should be kept in mind when financial and industrial partnerships were discussed at the Forum.

42. France attached great importance to NEPAD and to the involvement of UNIDO with that initiative. The

concept of partnership and mutual responsibility which formed the basis of NEPAD boded well for its success. She also commended the active contribution of UNIDO to the Third United Nations Conference on the Least Developed Countries, held at Brussels in May 2001, and the development of the UNIDO-Africa Investment Promotion Agency Network.

43. It was vital to uphold the principle of multilingualism in the Organization. A number of essential documents, such as the Director-General's bulletin of January 2002 on the structural reform of UNIDO and the Industrial Development Report 2002/2003, had not been translated into all the official languages. That situation was regrettable in an organization with a universal remit, and France hoped that greater efforts would be made to address it, so that French-speaking developing countries could benefit promptly from all the services available to them.

44. **Ms. HALLE** (Croatia) welcomed the restructuring of the Secretariat, in particular the appointment of the three new Managing Directors, which would further improve the efficiency of UNIDO and enable its special role in the international community to be recognized. She commended the strategy paper drawn up by the delegation of Japan, which would sharpen the focus of technical cooperation activities and enable the Organization to adapt to the changing global economic environment.

45. Her delegation also welcomed the new thematic initiatives launched by the Secretariat, especially as they were based on the Millennium Development Goals. The initiative concerning technology foresight was of particular interest to her delegation because Croatia was engaged in a process of institutional capacity-building in that field. Preparations were under way for the opening of a national development and research institute, which had been proposed by the Ministry of the Environment, while the Ministry of Economic Affairs had suggested that an agency for industrial development should be established. Croatia would be willing, in the capacity of co-organizer, to host meetings on the subject of technology foresight, particularly those areas relevant to businesses and sectoral institutions. Her delegation also thanked the Government of Hungary for organizing the Technology Foresight Summit to be held at Budapest in March 2003, which would provide a unique opportunity for exchanging views and information.

46. In the context of the initiative on obtaining rural energy from renewable resources, which had been launched at the World Summit on Sustainable Development, the Government of Croatia was discussing with UNIDO a project on bio-diesel production. The initiative was important because biomass was a potential new source of energy offering a variety of benefits, including that of being environmentally friendly, which were in line with the recommendations of the Summit. Her Government commended UNIDO for its contribution to the Summit, and would communicate further views and proposals on the thematic initiatives in due course.

47. **Mr. A.H.A. MOHAMED** (Sudan) said that his delegation welcomed the content of the medium-term programme framework, 2002-2005, but nevertheless considered that it should focus more closely on developing countries. Those countries needed more assistance for programme implementation, and he called on donors to provide the necessary resources. Turning to the medium-term programme framework, 2004-2007, he expressed the hope that Member States would be given an opportunity to examine all the proposals that had been put forward and express their views. His delegation endorsed the strategy paper which had been prepared by the delegation of Japan with the support of other Member States.

48. **Mr. MAKSIMOVAS** (Observer for Lithuania), welcoming the positive results achieved in the UNIDO reform process, said that his country had recently paid off a significant portion of its arrears to the Organization and had indicated its readiness to conclude a payment plan with a view to restoring its voting rights. His Government had greatly appreciated the UNIDO mission to Lithuania in May 2002, the aim of which had been to develop project proposals on the basis of interests expressed by national institutions. It was to be hoped that further projects would be developed in the future.

49. Referring to documents IDB.26/7 and IDB.26/8, he reiterated his delegation's support for the Organization's activities concerned with promoting investment and technology transfer, assisting the development of small and medium enterprises, supporting environmentally sustainable development strategies and extending technology foresight activities. His delegation also commended the organization by the Secretariat and the Government of Hungary of the first annual Technology Foresight Summit.

50. Welcoming the information provided by the Secretariat on the new thematic initiatives and the work done by the delegation of Japan on the strategic guidelines contained in document IDB.26/15, he said that his delegation looked forward to participating in further discussions on those important matters.

51. **Ms. M. SILES** (Bolivia), referring to the report of the External Auditor contained in document IDB.26/2, welcomed the stabilization of the Organization's financial situation, which would allow it to reverse the decline in the amount of resources devoted to technical cooperation over the past decade. Her delegation also

agreed with the External Auditor's view that the results of UNIDO projects implemented under the Montreal Protocol should be evaluated; that would enable any necessary adjustments to be made in order to ensure that the Organization's resources and technical capabilities were effectively used.

52. Turning to document IDB.26/10, she welcomed the forthcoming Global Biotechnology Forum, which would provide an opportunity to discuss a highly topical issue on the international agenda. It was to be hoped that the Forum would also lead to the establishment of objectives and commitments with regard to social welfare and environmental sustainability.

53. Her delegation commended the participation of UNIDO in various international events, including the recent World Summit on Sustainable Development, as described in document IDB.26/12. It was to be hoped that the Director-General's remarks on the need for the enhanced use of technology cooperation in support of sustainable development would be reflected in the Organization's future activities. Her country was particularly interested in the promotion of technology transfer and technical modernization, which would help to strengthen production.

54. **Mr. ABDENUR** (Observer for Brazil) said that for some months Brazil had been conducting a review of its relationship with UNIDO. Brazil had initially been closely involved with the Organization, but for a number of years its involvement had been minimal. However, after the election of Mr. Carlos Magariños as Director-General and the process of reform of the Organization which had followed the adoption of the Business Plan in 1997, Brazil was keen to re-establish an active relationship with UNIDO.

55. The reform process, including measures such as increased decentralization, a sharpening of the focus of activities and better coordination among departments, had improved the Organization's efficiency. UNIDO was now in a better position to help developing countries to strengthen their industrial base in order to reduce poverty, increase productivity and competitiveness, gain access to international markets and meet the challenges of globalization. It was also paying greater attention to the environmental sustainability of development policies and programmes.

56. His delegation welcomed the Organization's participation in the system-wide process of reform and in major conferences such as the World Summit on Sustainable Development and the International Conference on Financing for Development. It was also pleasing to note that UNIDO was increasing its cooperation with other international organizations such as WTO.

57. He commended the delegation of Japan for its preparation, in consultation with other Member States, of the strategic guidelines contained in document IDB.26/15. He also welcomed the plan to hold the Global Biotechnology Forum in Chile in 2003 and said that his country was keen to contribute to that event, first of all by participating in the preparatory regional meeting in Latin America. His delegation agreed with the view expressed by the representative of Italy that ICGEB should also be involved in the preparations for the Forum. The newly elected Government of Brazil would follow with interest the activities of UNIDO, with a view to re-establishing a solid relationship with the Organization.

58. **Mr. CHAVEZ PAREJA** (Ecuador) commended the participation of UNIDO in relevant international forums, such as the International Conference on Financing for Development and the World Summit on Sustainable Development, where the Organization had been able to increase its visibility and present initiatives illustrating its capacity to contribute to development.

59. His delegation welcomed the new thematic initiatives developed by the Secretariat, which would improve the Organization's ability to meet the needs of developing countries. Ecuador had already communicated to UNIDO the name of its national counterpart for the Regional Programme on Technology Foresight for Latin America and the Caribbean. His delegation also welcomed the plans to hold the Global Biotechnology Forum in Chile in 2003.

60. The strategic guidelines for the medium-term programme frameworks proposed in document IDB.26/15 were a valuable step towards adapting the 1997 Business Plan to the changing global economic environment, which presented developing countries with major new challenges. The broad consultation process organized by the delegation of Japan in the preparation of the document had made it possible for all Member States to contribute.

61. **Mr. RIPANDELLI** (International Centre for Genetic Engineering and Biotechnology) said that biotechnology offered extraordinary opportunities for solving problems related to health, nutrition and economic development, but that there was also concern about its possible impact on the environment, human dignity, local economies and traditional production methods. It was therefore essential to build the capacities of developing countries in the field of biotechnology and to provide a forum for debate on the subject, so that those countries could ensure that biotechnology was used in a safe and sustainable way. The Global Biotechnology Forum was a welcome initiative in that regard.

62. Document IDB.26/10 rightly highlighted the potential of biotechnology for developing countries and the difficulties they faced in gaining access to it. However, it did not refer to the endeavours made by UNIDO itself in setting up the International Centre for Genetic Engineering and Biotechnology to address those issues. ICGEB was now an autonomous intergovernmental organization which operated in close contact with other organizations in the United Nations system. It was a centre of excellence in its field, with a special focus on the needs of developing countries and countries with economies in transition. More than 300 scientists at the Centre's two branches in Trieste and New Delhi worked on the development of major programmes in the fields of human health, agriculture, industrial development and basic science, and provided scientific and institutional assistance on biotechnology issues.

63. To date, 67 countries had signed the ICGEB Statutes, and it was likely that the number would increase over the next few years. ICGEB had always enjoyed a close relationship with UNIDO and, because UNIDO had successfully coupled scientific and academic excellence with the international recognition enjoyed by the United Nations system, ICGEB had decided to maintain that close relationship when it had become independent from UNIDO in 1996. Eventually, a cooperation agreement had been signed between the two organizations with a view to avoiding duplication of work. One current area of collaboration was technology foresight.

64. The Global Biotechnology Forum was an important initiative and the Director-General of ICGEB would be honoured to accept the invitation to participate in the International Organizing Committee for the event. The Board of Governors of ICGEB had also recommended that the Centre should be actively involved in the follow-up to the Forum, and that UNIDO and ICGEB should continue their cooperation for the benefit of the developing world.

65. **Ms. NDIAYE** (International Organization for Migration (IOM)) said that sustainable development was a central concern of the international community which had achieved particular prominence through the World Summit on Sustainable Development in Johannesburg. At the Summit, IOM had highlighted the desirability of harnessing the skills and financial resources of qualified migrants in order to foster development in their countries of origin. The IOM programme on migration for development had been conceived with that principle in mind and had initially been implemented in Africa, which had the highest concentration of LDCs. The programme was based on the concept of the mobility of qualified migrants and was designed to offer such migrants the opportunity, on a contractual basis, to use their expertise in the service of their country of origin while preserving the professional and social status they had acquired in their country of residence.

66. Building a competitive private sector was the key to sustainable development. Governments should not bear exclusive responsibility for that endeavour; their role should rather be one of supervision and facilitation. Businesses desperately needed experts from the diaspora who were familiar with the local culture in the relevant country of origin and could therefore propose appropriate solutions, working in conjunction with national counterparts based in the country of origin. Skills databases, already available in some developed countries, allowed individuals' skills to be matched with the priority needs of Governments and private sectors. She hoped that UNIDO and IOM could cooperate to support national capacity-building in priority sectors of the economy where there was a shortage of qualified human resources and where existing skills were not being used to the full.

67. Another possible area of cooperation was the exploration of ways to use financial remittances from migrants for the purpose of industrial development. Statistics showed that, in many developing countries, the sum of financial remittances via formal channels such as banks or private companies was substantial. However, it was estimated that "informal" transfers, not subject to any form of monitoring, represented an even greater sum. To date, no proper analysis of that phenomenon had been carried out. Currently, funds from informal remittances were used mainly for community investments or to cover the costs of schooling, health care or providing for a family. UNIDO and IOM should cooperate to find ways of channelling those funds into productive investments, in combination with foreign direct investment and tax and customs incentives.

68. IOM was implementing small-scale pilot projects in which qualified migrants worked in their country of origin, particularly in communities with low levels of education, so as to provide basic skills that were useful for development and economic reconstruction. Under those projects, loans were provided for micro projects and an impact evaluation was conducted after six months of operation. A number of such projects had been conducted successfully in Asia and Africa, and many had achieved good results in situations where large-scale programmes were hampered by bureaucracy and problems with the release of funds. She hoped that UNIDO and IOM could also pool their efforts in that regard, with a view to generating employment, income and investment.

69. IOM was keen to point out the impact of migration on the implementation of NEPAD. On the one hand, the planned major infrastructure projects

would cause population displacements that would affect development and engender social problems and public health problems. On the other hand, the skills of members of the African diaspora could be put to positive use in such projects. International and inter-African migrants represented a large pool of human resources, and IOM and UNIDO should come together to discuss ways of utilizing that potential.

The meeting rose at 5.55 p.m.

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GENERAL

IDB.26/SR.5
26 November 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-sixth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 November 2002, at 10 a.m.

President: Mr. HORVATH (Hungary)

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V.02-59960E

Distr.: 23 December 2002

The meeting was called to order at 10.25 a.m.

PERSONNEL MATTERS (IDB.26/11)

CONSULTATIONS WITH NON-MEMBER STATES (IDB.26/14 and Corr.1; IDB.26/CRP.6)

1. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, took note of document IDB.26/11. Given the central role of human resource management in the success of the Organization's programmes, the Group of 77 and China wished to encourage UNIDO to continue the implementation of the Human Resource Management Framework, launched in June 2001. He requested clarification on the financial implications of the implementation of the International Civil Service Commission salary scale.

2. Maintaining an appropriate balance in terms of gender and geographical distribution among the Secretariat staff was a desirable objective in any international organization, and he urged the Secretariat to continue to apply the principle of equitable geographical distribution in personnel policy, in particular at the Professional level. The Group of 77 and China also strongly supported gender balance at all levels of the Secretariat, especially at Director level.

3. With regard to consultations with non-Member States, he noted the report (IDB.26/14 and Corr.1) and urged UNIDO to continue to intensify its efforts to persuade non-Member States to join or rejoin UNIDO with a view to increasing its international recognition and its financial resources. A mechanism might be established to enable the consultations to be pursued by the Director-General in coordination with Member States in a systematic manner.

4. He emphasized the important role of UNIDO in helping developing countries to build competitive industrial capacities, overcome their marginalization and improve their market access in order to eradicate poverty.

5. **Mr. SREENIVASAN** (India), speaking on behalf of the Asian Group, noted that, while the representation of female staff had improved since the previous year, UNIDO should continue efforts in that direction with a view to achieving gender balance. He wished also to draw attention to the low representation of the Asian Group among senior Professional staff (8 per cent) and other Professional staff (15 per cent). He welcomed the initiative concerning appointments of limited duration, but suggested having a shorter break before a new appointment was possible; the period could be reduced from one year to six months. He welcomed the staff performance appraisal system recently introduced as a measure to improve work standards in the Organization. He hoped that the recommendations of the External Auditor would be kept in mind in the development of key performance indicators. His Group supported UNIDO's efforts to ensure the efficiency of the Organization in the field of human resource management and believed that enhanced quality of services and performance of the Organization depended on staff quality and competence. The application of objective criteria and transparency in staff recruitment might help in that regard. He urged the Secretariat to provide sufficient time between the day of posting of a vacancy announcement and the deadline for applications, to enable Member States to nominate the best qualified candidates.

7. Regarding consultations with non-Member States, he said that the new reformed UNIDO had found a niche in global industrialization efforts by adopting innovative approaches to sustainable development, including assistance in the elimination of chlorofluorocarbons (CFCs) and the promotion of environmentally compatible advanced and clean technologies. There was now all-round praise for UNIDO's primary role as a catalyst for industrial development in developing countries. However, despite renewed interest in UNIDO among major donor countries, a significant number of countries, including some former Members, remained outside the membership of UNIDO. The time had come for a systematic campaign to widen the membership of UNIDO, and he suggested that a suitable mechanism be established by the Director-General to pursue the matter.

8. **Mr. KIM Chang-mo** (Republic of Korea) commended the UNIDO Secretariat for its efforts during the past biennium to pursue a recruitment policy that was geared to improving gender balance and geographical distribution and appreciated the progress made. Much remained to be done, however; for example, the Asian Group was very poorly represented among the senior-level staff of UNIDO. He was aware of the difficulties, particularly at times when recruitment was stagnating, but urged the Secretariat to be resourceful and innovative in finding ways to remedy the situation.

9. **Mr. KALININ** (Russian Federation) supported the efforts of UNIDO to create a system of human resources management that would ensure the stability of the service and the recruitment, retention and promotion of the most qualified staff. He welcomed the new practice of limited duration appointments as a flexible mechanism for recruitment. He supported the

Director-General's proposal to reduce the number of staff at the D-2/L-7 level by moving staff to the field; the practice should be extended to all L category staff, to lessen the burden on the budget. He agreed that the recommendations of the International Civil Service Commission approved by the United Nations General Assembly should be applied to UNIDO and supported the nominations put forward by the regional groups for the Staff Pension Committee for the period 2002-2003.

10. **Mr. ITO** (Japan) said that effective and efficient human resource management was crucial to any organization wishing to achieve its goals, and that Japan therefore supported the amendment to schedule I of the staff regulations, which aimed to bring the schedule in conformity with the decision of the fifty-sixth session of the United Nations General Assembly with a view to securing highly motivated and capable staff. He expressed support for the revisions made to the various appendices and provisions of the staff rules.

11. He supported the statement of the representative of the Group of 77 and China regarding the importance of gender balance; however, he also wished to stress the importance of paying due attention to the geographical distribution of the staff. In that regard, he supported the statement made by the representative of the Republic of Korea. He welcomed the three new Managing Directors; he looked forward to a consolidation of the benefits of UNIDO's latest restructuring and further enhanced programme delivery under the leadership of the new Managing Directors.

12. **Mr. FORNOCALDO** (Managing Director, Division of Administration) expressed appreciation for what had been said. He and his senior management would do their best to achieve the goals set for them.

13. **Mr. FIGUEROA** (Observer for Argentina), speaking on behalf of the Latin American and Caribbean Group and referring to agenda item 6, "Consultations with non-Member States", said that his Group took note of the information in document IDB.26/14 and considered that UNIDO should make every effort to encourage non-Member States to join or rejoin the Organization. The UNIDO offices in New York and Geneva could be used as a basis for such efforts.

14. **Mr. PAULINICH** (Peru) said that UNIDO should do its utmost to ensure that countries that were not Members of the Organization knew about its achievements and its capacity to provide technical cooperation within the terms of its mandate, in order to promote interest in its activities and broaden its membership, with benefits for the Organization as a whole. That also applied to States which had been Members of UNIDO in the past and that had left the Organization in a context very different from the current one: greater knowledge of the current situation and prospects of UNIDO following the reforms of recent years might encourage them to reconsider their decisions. Peru wished to encourage UNIDO to continue its efforts and expressed its willingness to cooperate with the Director-General in that regard.

15. **Mr. V. G. GARCIA III** (Philippines) took note of the document on consultations with non-Member States (IDB.26/14). The expansion of UNIDO's membership was important in order for UNIDO's programmes and services to benefit as many developing countries as possible, especially those that had recently joined the international community of nations as newly independent States. He commended the Director-General and the Secretariat for their efforts to persuade non-Member States to join the Organization. He also hoped that the Director-General would be successful in his efforts to encourage the return of former Members to the Organization. The Philippines was willing to contribute to all those efforts.

16. **Mr. MOKADADER** (Morocco) said that Morocco had taken note with satisfaction of document IDB.26/14 regarding the consultations begun with non-Member States with a view to encouraging them to join or rejoin the Organization, and welcomed UNIDO's efforts in that regard. However, Morocco associated itself with those delegations which had called for a mechanism to govern those consultations to be established in close cooperation with Member States.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.26/13)

(d) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.26/6; IDB.25/2 and Add.1)

17. **Mr. A.H.A. MOHAMED** (Sudan) expressed his satisfaction with the high rate of collection of assessed contributions (87.6 per cent), which was a positive indication of the commitment of Member States. The Sudan had paid its contribution in full, as in past years, and would continue to do so in order to give full support to the Organization and make possible the implementation of all the proposed projects.

18. The Sudan gave the UNIDO office in Khartoum all possible assistance and had cooperated with UNIDO experts in revising the national programme, in accordance with the agreement concluded by the Minister of Industry and the Director-General of UNIDO during the latter's visit to the Sudan. He hoped that the programme would be implemented as soon as possible. The Sudan was also cooperating with UNIDO with a view to the preparation of a donor conference in

early 2003 so as to guarantee the necessary funding for the revised national programme.

PROVISIONAL AGENDA AND DATE OF THE TWENTY-SEVENTH SESSION (IDB.26/CRP.3)

19. **The PRESIDENT** said that there were three options for the dates of the twenty-seventh session of the Board: first, from 24 to 26 June 2003, in which case the session would coincide with the twentieth session of the Preparatory Commission of the Comprehensive Nuclear-Test-Ban Treaty Organization; second, from 30 June to 2 July, in the Austria Center; third, from 26 to 28 August. Informal consultations had indicated 26-28 August as the preferred option.

20. **Mr. GONZALEZ ANINAT** (Chile) said that it was regrettable that sessions of different bodies within the United Nations system often took place at the same time. The best dates for the Board would be 26-28 August 2003.

21. **The PRESIDENT** said that the draft decision being prepared would indicate the dates 26-28 August 2003.

The meeting rose at 11 a.m.

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IDB.26/SR.6
26 November 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-sixth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 November 2002, at 3 p.m.

President: Mr. HORVATH (Hungary)

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V.02-59961 (E)

Distr.: 23 December 2002

The meeting was called to order at 3.15 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.26/L.2-L.11)

1. **The PRESIDENT** said that a number of draft decisions which were contained in documents IDB.26/L.2-L.11 and which had been considered in informal consultations chaired by Mr. Takasu (Japan) were before the Board.

2. **Mr. TAKASU** (Japan), speaking as chairman of the informal consultations, said that the consensus had been reached had been reached on all items and recommended the draft decisions to the Board for speedy adoption.

3. **The PRESIDENT** said that he was submitting the draft decisions approved by consensus in the informal consultations as drafts of the President for consideration by the Board.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.26/13)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.26/2, IDB.26/3 and IDB.26/5; IDB.25/2 and Add.1; IDB.26/L.2)

4. **The PRESIDENT** drew attention to draft decision IDB.26/L.2.

5. *The draft decision was adopted.*

(b) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.26/9, IDB.26/16 and Add.1; IDB.26/CRP.2; IDB.26/L.3 and L.11)

6. **The PRESIDENT** drew attention to draft decisions IDB.26/L.3 and IDB.26/L.11.

7. *The draft decisions were adopted.*

(d) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.26/6; IDB.25/2 and Add.1; IDB.26/L.4)

8. **The PRESIDENT** drew attention to draft decision IDB.26/L.4.

9. *The draft decision was adopted.*

(e) TRANSITION TO A SINGLE CURRENCY SYSTEM (*continued*) (IDB.26/4; IDB.26/L.5)

10. **The PRESIDENT** drew attention to draft decision IDB.26/L.5.

11. *The draft decision was adopted.*

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.26/CRP.4 and CRP.5)

(a) UNIDO PARTICIPATION IN MAJOR INTERNATIONAL EVENTS (*continued*) (IDB.26/12 and Corr.1)

(b) IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (*continued*) (IDB.26/7 and Corr.1 and IDB.26/15; IDB.26/L.8)

(c) GLOBAL BIOTECHNOLOGY FORUM (*continued*) (IDB.26/10; IDB.26/L.9)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.26/8 and IDB.26/15; IDB.26/L.8)

12. **The PRESIDENT** drew attention to draft decision IDB.26/L.8, entitled "Strategic guidelines 'Towards improved UNIDO programme delivery'", which related to agenda items 3 (b) and 4.

13. *The draft decision was adopted.*

14. **Mr. RUDISCHHAUSER** (Germany), expressing support for the draft decision and welcoming the initiative of the delegation of Japan which had led to the formulation of the strategic guidelines contained in document IDB.26/15, emphasized that the Business Plan remained the basis for the organizational and programmatic transformation of UNIDO.

15. **Mr. TAKASU** (Japan), welcoming the adoption by consensus of the draft decision, said that it demonstrated Member States' support for the Organization's work and their commitment to improving programme delivery. He expressed gratitude to all delegations which had contributed to the preparation of document IDB.26/15. He hoped that the

guidelines in it would be fully implemented so as to improve the effectiveness of future UNIDO activities, and that Member States, staff at Headquarters and field officers would work together to achieve that aim. He also hoped that the guidelines would be taken into account in the preparation of the next medium-term programme framework and the next programme and budgets.

16. **Mr. EL-ATAWI** (Egypt), thanking the delegation of Japan for its efforts in preparing document IDB.26/15, supported the view expressed by the representative of Germany that the Business Plan should remain the basis for the future direction of the Organization. He praised the consistent efforts made by the Secretariat to reform UNIDO, but said that it was now time to consider how to put all the new ideas into practice, particularly with regard to the vital area of technical cooperation. He assured the Board of his delegation's continued support in that endeavour and said that he was confident of the Director-General's ability to take the Organization forward.

17. **The PRESIDENT** drew attention to draft decision IDB.26/L.9, which related to agenda item 3 (c).

18. *The draft decision was adopted.*

19. **Mr. GONZALEZ ANINAT** (Chile) thanked all those who had expressed support for the Global Biotechnology Forum, which was to be hosted by his country. He was also confident that the International Centre for Genetic Engineering and Biotechnology in Trieste would make a useful contribution to the event. Lastly, he was pleased to note that an update on the Forum was included on the agenda for the next session of the Board.

PERSONNEL MATTERS (*continued*) (IDB.26/11; IDB.26/L.6)

20. **The PRESIDENT** drew attention to draft decision IDB.26/L.6.

21. *The draft decision was adopted.*

CONSULTATIONS WITH NON-MEMBER STATES (*continued*) (IDB.26/14; IDB.26/CRP.6; IDB.26/L.10/ Rev.1)

22. **The PRESIDENT** drew attention to draft decision IDB.26/L.10/Rev.1.

23. *The draft decision was adopted.*

24. **Ms. RAMIS-PLUM** (France), welcoming the adoption of the decision, said that the process of reform had enabled UNIDO to reaffirm its role in international action to promote industrialization and sustainable development. To consolidate its position, every effort should now be made to encourage more States to join the Organization and to persuade former Member States to rejoin. Her delegation was ready to participate in that endeavour, in particular through diplomatic channels in non-Member States.

25. **Mr. SREENIVASAN** (India) said that, as his delegation had initiated discussion on the issue of consultations with non-Member States at the previous session of the Board, he was particularly pleased that the draft decision had been adopted. The Director-General and the host country had already begun efforts to widen the membership of UNIDO, but those efforts should now be redoubled by raising awareness of the major reforms that had been implemented in the Organization. The draft decision entrusted the Director-General with carrying the matter forward, in consultation with Member States where appropriate, and the Indian delegation was confident of his success.

26. **Mr. GONZALEZ ANINAT** (Chile) agreed that it was very important to widen the membership of UNIDO and his delegation was ready to contribute to efforts in that direction. Countries which were not Member States were missing out on substantial benefits, particularly as the reform process had made the Organization much more dynamic and relevant.

27. **Mr. PAULINICH** (Peru) said that the draft decision had the potential to increase the impact of the Organization's technical cooperation activities by facilitating efforts to widen membership. He thanked the delegation of India for initiating discussion of the issue at the previous session of the Board and said that his delegation would support any initiative taken by the Director-General in that regard.

PROVISIONAL AGENDA AND DATE OF THE TWENTY-SEVENTH SESSION (IDB.26/CRP.3; IDB.26/L.7)

28. **The PRESIDENT** drew attention to draft decision IDB.26/L.7.

29. *The draft decision was adopted.*

ADOPTION OF THE REPORT (IDB.26/L.1)

30. **Mr. HAMEDANI** (Islamic Republic of Iran), Rapporteur, introducing document IDB.26/L.1, said that it represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session, including the decisions that had just been adopted. The Friends of the Rapporteur had agreed on a new method of finalizing the report of the current session: the final version would be circulated to them in electronic form via e-mail and they could

subsequently submit any proposed changes. If there were no controversial issues, the report could be finalized without another meeting. If that method proved successful, he would suggest that future rapporteurs did likewise.

31. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

32. *It was so decided.*

CLOSURE OF THE SESSION

33. **Mr. RUDISCHHAUSER** (Germany), referring to the introductory remarks of the Director-General on further transformation of the Organization, requested that the Secretariat should provide more information on that issue at a later stage, in particular the establishment of the post of comptroller general and the plans relating to field representation.

34. **Mr. MAGARIÑOS** (Director-General) said he would like, on behalf of the Organization, warmly to thank all delegations for the very constructive spirit in which the deliberations had been conducted. It was moving to see how successfully Member States and staff had transformed the work climate of UNIDO. The fact that UNIDO had achieved relevance, financial stability and focus in its programmes was gratifying, and he and the Secretariat would strive in the years ahead to continue to merit the praise that had been bestowed on them.

35. Due note had been taken of the requests for provision of specific information concerning areas such as the success of the integrated programmes, new initiatives, the impact of partnership programmes and the Office of the Comptroller General. The Managing Directors, his own Office and he himself would contact Member States in order to produce and distribute reports clarifying those questions. He was particularly gratified by the welcome accorded to the decision to establish the Office of the Comptroller General; he took note of the positive comments in that regard, and would work to ensure that suitable staff were recruited, in the same spirit of openness and transparency as had obtained during the recruitment of the new Managing Directors. He also remained fully committed to the goals of attaining gender balance and equitable geographical distribution in the Secretariat.

36. The fact that more countries were considering payment plans with a view to settling their arrears also gave grounds for optimism: Ukraine was honouring its commitments, a plan for Azerbaijan had been approved and negotiations to conclude a payment plan with Brazil were under way.

37. Much time had been devoted to consideration of ways and means of increasing the Organization's resources. In that regard, he wished to express the gratitude of the Secretariat, and to echo that of Member States that had benefited from technical cooperation, to all those countries that had paid their assessed contributions on time, and also to those that had contributed to the technical cooperation funds. Perhaps the best way of appreciating the generosity and dedication of those countries was to view them in perspective. Over the five years in which he had headed UNIDO, the Organization had administered resources amounting to more than US$ 800 million. About half those resources, or approximately US$ 400 million, had gone to technical cooperation activities. Over the period, US$ 150 million had been spent on experts and project personnel; US$ 138 million on subcontracts; US$ 25 million on fellowships and study tours; and US$ 75 million on equipment, in addition to various miscellaneous expenditures. While that financial outlay could not alone achieve the industrialization of the developing world, it could go some way towards that goal.

38. He wished now to try to make a linkage between the matters discussed at the current session and those for consideration at the next session of the Programme and Budget Committee, dwelling on the challenges facing the Organization, although he recognized the need to further optimize UNIDO's operations and the importance of the Board's unanimous decision to adopt strategic guidelines for improving technical cooperation (IDB.26/L.8). The UNIDO regular budget would have to be considered by the Board at its next session, prior to its approval at the end of 2003 by the General Conference. The regular budget for 2002 totalled 68.3 million euros. A percentage of those funds comprised the contribution from the regular budget to technical cooperation: 4.0 million euros for the regular programme of technical cooperation and 2.8 million euros for Industrial Development Decade for Africa supplementary activities. The remainder of the regular budget comprised operating costs, information technology and communications, travel and staff costs (the last item amounting to some 45 million euros). The regular budget was primarily funded from assessed contributions—which should provide 66.8 million euros. An additional 1.5 million euros was expected to be provided from other sources, such as interest income, sales publications and government contributions to the UNIDO regional and field offices.

39. In addition to the regular budget, there was the operational budget, which consisted of support cost income earned on the implementation of technical cooperation programmes. The percentage varied between

5 and 13 per cent. Currently it averaged 10 per cent, and the trend was downwards. Ninety-five per cent of the funds of the operational budget were used to meet staff costs.

40. Lastly came technical cooperation delivery, funded through voluntary contributions from various sources. As at 31 October 2002 voluntary contributions had amounted to some US$ 170 million, part of which was represented by funds received from countries for projects in those countries (trust funds). Of the remainder, about US$ 60 million represented the Industrial Development Fund, while a third portion comprised funds received from the Montreal Protocol and the Global Environment Facility. Those funds could be spent only when the donor States authorized their disbursement; once authorized, they became part of the technical cooperation programme; with an average of US$ 85 million spent annually. It was important to bear in mind that the income for the operational budget was received only once the technical cooperation from which it derived had been delivered. Thus, a proportion of the income used to pay staff salaries depended on the existence of approved technical cooperation programmes. If the voluntary contributions made were not utilized, they were carried forward to future financial years.

41. He wished particularly to highlight the fact that the ratio between the cost of delivering technical cooperation and technical cooperation revenue was almost one to one: about 80 million euros in operating costs were needed in order to deliver about 85 million euros in technical cooperation programmes.

42. In regional terms, Africa represented 19 per cent of UNIDO's technical cooperation portfolio of US$ 85-90 million annually, the Arab countries 13 per cent, Central and Eastern Europe 7 per cent, the Americas 12 per cent and Asia almost 50 per cent. That pattern of distribution covered all types of technical cooperation: integrated programmes, country service frameworks (CSFs) and stand-alone energy and environment projects. In the first two categories, Africa had a very high participation, at 52 per cent. The distribution was a function of the patterns of funding received from Member States. Voluntary contributions from Governments played a crucial role in funding integrated programmes and CSFs, accounting for more than 60 per cent of total funding. Looking at technical cooperation activities as a whole, it was found that government contributions fell to 40 per cent, with a corresponding increase in the contribution from multilateral funds such as the Montreal Protocol. Lastly, when one looked at the relative shares in total UNIDO spending of the various types of technical cooperation, it was found that integrated programmes, which had been widely commended by Member States, still accounted for only 22 per cent of all technical cooperation, while stand-alone projects accounted for 40 per cent and the Montreal Protocol for almost 40 per cent.

43. His main reason for drawing the Board's attention to the thematic initiatives was to mobilize more funds. More funds were needed for two purposes: first, to increase the share of integrated programmes and thematic programmes in technical cooperation activities as a whole; secondly, to improve the ratio between the 80 million euros of annual regular budget expenditure and the 85 million euros delivered in the form of technical cooperation. The ratio must be improved and, realistically, there were only two ways in which that could be achieved: either by once again reducing the regular budget or by increasing funding for technical cooperation. And in order to follow the latter course, it would be necessary to have more thematic initiatives—naturally within the framework of the Business Plan and the integrated programmes.

44. The Organization was faced with a tremendous challenge in the form of the Millennium Development Goals adopted by the international community. In September 2003 the United Nations Secretary-General would be submitting specific proposals to the General Assembly concerning the role of each specialized agency in the attainment of those Goals. To meet the enormous challenge, serious consideration must be given to ways of increasing the volume, predictability and scope of voluntary funding. While every effort would be made to use resources still more efficiently and effectively, the gains achieved thereby could not solve every problem. The solution must lie in a combination of greater efficiency and higher, more stable contributions allowing for advance planning of UNIDO's technical cooperation tasks.

45. **The PRESIDENT**, after thanking the participants for their support and cooperation, declared the twenty-sixth session of the Industrial Development Board closed.

The meeting rose at 4.25 p.m.